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AMERICA'S

SOUND MANAGEMENT INNOVATIVE QUALITY PRODUCTS WISE USE OF ASSETS

MOST ADMIRED

CITIZEN TOP TALENT FINANCIAL STRENGTH INVESTMENT VALUE

CORPORATIONS

How Eight Leaders Stay on Top

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FORTUNE

TERRY ALLEN

"It helps you with customers, suppliers, and employees. Your reputation is everything."

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JAMES LUKOSKI (2)

Editor John Curran (left) and reporter Karen Nickel, against one of capitalism's best backdrops

THE ROMAN GOD JANUS—famed for being able to look ahead and backwards simultaneously—had nothing on John Curran. As senior financial writer and editor of our Personal Investing department, Curran usually keeps his gaze fixed on the horizon, the better to spy promising stocks and steer readers away from the occasional Bermuda Triangle. It was Curran who told readers in 1984, when the Dow was at 1200, that it might well climb above 2000 by 1987. It was he again, in August 1987, who advised readers to start unloading stocks—almost two months before the October crash. And when others were direly forecasting that the Tokyo stock market was heading for collapse, Curran wrote that it would stay up in the heights. For that prescient analysis, he won last year's Overseas Press Club Award for the best business reporting from abroad.

In this issue Curran edited two stories that take an unaccustomed look back, to the biggest deals and most incendiary stocks of the past year, searching for clues to forces that may shape markets of the 1990s and beyond. Of "Deals of the Year," for instance, he says, "We take all of the huge and varied corporate transactions, no matter how complicated, and bring them together in a comprehensive overview—looking beyond the headlines for trends that might not be apparent at first glance."

Reporter Karen Nickel, whose article on 1989's best-performing stocks (and stock markets) begins on page 114, has a personal understanding of one such trend: the growing importance of international exchanges. "I grew up in a globally minded family," she explains. "My father is a ship's captain. Right now he's commanding the *Argonaut*, a container ship bound for New York." As a student, she studied philosophy at Universität Bamberg in West Germany for a year.

At first Nickel was surprised to see that Austria's stock market was the strongest performer of any in Europe in 1989. She quickly identified the reason: "Traditionally the Austrians played a minor role—middlemen to the Eastern bloc. But now the opening of Eastern Europe has sent them flying."

Writer Robert Norton believes Poland's bold experiment with capitalism will be a bellwether for struggling economies elsewhere in Eastern Europe. While profiling Harvard economist Jeffrey Sachs, a midwife to Polish capitalism, Norton was amused to find free-market forces already working in Warsaw. "Every cab driver not only knows the exact, up-to-the-hour exchange rate," Norton reports, "but is also completely conversant with the concept of bid and ask."

Marshall Loeb

MANAGING EDITOR

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LEADERS OF THE MOST ADMIRED

What does it take to get rated tops in FORTUNE's latest reputations survey? Let a biochemist, a soft-spoken Scot, a tub-thumping Ohioan, and a legendary investor from Omaha show the way.

HOW DO YOU *build a winning reputation? In* FORTUNE*'s annual survey, the foundations are the eight attributes listed on the opposite page. To rise to the top, a company must rate highly in each, in the judgment of peers and the analysts who follow its industry. Merck, this year's No. 1, took first prize in four categories. Runner-up Philip Morris won in two.*

The stories that follow take a closer look at those eight building-blocks of reputation. To probe the widest range of industries, we have in four cases examined companies that ranked second behind either Merck or Philip Morris in a key attribute. The corporations profiled appear in the order they fall in our overall ranking, starting with No. 1 Merck and winding up with No. 16 Berkshire Hathaway.

For an overview of America's most admired corporations, including the top and bottom ten, see page 58. A list of all 305 companies and their scores begins on page 66. Tables showing how they rank in 32 separate industries start on page 72. And for a look at how the most admired got that way, read on.

ABILITY TO BUILD TALENT

■ "There are plenty of good people around, but I wouldn't send them to Merck," says Virgil Baldi, vice president of the Korn/Ferry International executive recruiting firm. "I send Merck only people with world-class reputations." Merck's chairman, Roy Vagelos, 60, a physician and biochemist, has been passionate about attracting great minds since he became research chief in 1976. When Merck hit a new-product drought in the early 1980s, he recruited hundreds of research scientists to reignite the company's labs.

Vagelos does not rely solely on search firms. He acts as his own chief talent scout as he travels the world, and makes a special point of firing up interest in Merck on college campuses. "I discuss the discovery of new drugs, and that is very exciting to young scientists," he says. Merck has introduced a remarkable ten major drugs since 1981; each accounts for at least $100 million in annual sales. Among them: Mevacor, which cuts cholesterol levels as much as 40%, and Primaxin, a powerful antibiotic.

Vagelos expects the stars he hires to pull in other stars. He often greets his managers with: "Who have you recruited lately?" Dr. W. John Powell, vice president for clinical research, boasts that he recently enticed Merck's new head of infectious diseases away from Yale medical school. "Merck has some people of higher quality than you can find at the best academic institutions," says Powell, a cardiologist who taught at Harvard for 21 years before joining the company in 1986. "Research universities of the caliber of Harvard and MIT are trying hard to get our top scientists back."

It won't be easy. Unlike often strapped academic labs, research facilities at the company's headquarters in Rahway, New Jersey, are lavishly equipped. Merck plows more dollars into R&D than almost any other pharmaceutical company. In 1989, R&D expenditures were some $755 million, or about 11% of sales. Says Dr. Paul Friedman, yet another transplanted academic: "My sense of accomplishment is far greater in this setting than when I was at Harvard. My basic research is immediately applied to developing medicines." There are also fewer distractions at Merck. For

Merck's CEO Roy Vagelos likes to skip several rungs on the ladder when he promotes employees.

LOUIS PSIHOYOS—MATRIX

THE EIGHT KEY ATTRIBUTES OF REPUTATION

ABILITY TO ATTRACT, DEVELOP, AND KEEP TALENTED PEOPLE

MOST ADMIRED	SCORE
Merck	8.89
Philip Morris	8.82
3M	8.21
LEAST ADMIRED	**SCORE**
Gibraltar Financial	1.96
Wang Laboratories	2.66
Control Data	3.26

VALUE AS LONG-TERM INVESTMENT

MOST ADMIRED	SCORE
Philip Morris	9.42
Merck	8.93
Berkshire Hathaway	8.45
LEAST ADMIRED	**SCORE**
Gibraltar Financial	1.35
Wang Laboratories	2.09
Control Data	2.60

QUALITY OF PRODUCTS OR SERVICES

MOST ADMIRED	SCORE
Merck	9.18
Rubbermaid	8.99
Philip Morris	8.96
LEAST ADMIRED	**SCORE**
Gibraltar Financial	3.75
Texas Air	4.15
Wang Laboratories	4.23

INNOVATIVENESS

MOST ADMIRED	SCORE
Merck	9.06
3M	8.53
Rubbermaid	8.47
LEAST ADMIRED	**SCORE**
Gibraltar Financial	2.91
Control Data	3.66
Unisys	3.95

QUALITY OF MANAGEMENT

MOST ADMIRED	SCORE
Philip Morris	9.57
Wal-Mart	9.17
Merck	9.11
LEAST ADMIRED	**SCORE**
Gibraltar Financial	1.99
Wang Laboratories	2.72
Control Data	3.45

FINANCIAL SOUNDNESS

MOST ADMIRED	SCORE
Merck	9.28
Coca-Cola	9.05
IBM	8.85
LEAST ADMIRED	**SCORE**
Gibraltar Financial	1.23
Wang Laboratories	1.59
LTV	2.35

COMMUNITY AND ENVIRONMENTAL RESPONSIBILITY

MOST ADMIRED	SCORE
Johnson & Johnson	8.23
Merck	8.19
Du Pont	7.99
LEAST ADMIRED	**SCORE**
Gibraltar Financial	3.32
Texas Air	3.53
LTV	4.16

USE OF CORPORATE ASSETS

MOST ADMIRED	SCORE
Berkshire Hathaway	8.52
Merck	8.50
Wal-Mart	8.38
LEAST ADMIRED	**SCORE**
Gibraltar Financial	1.63
Wang Laboratories	2.57
Meritor Financial Group	3.04

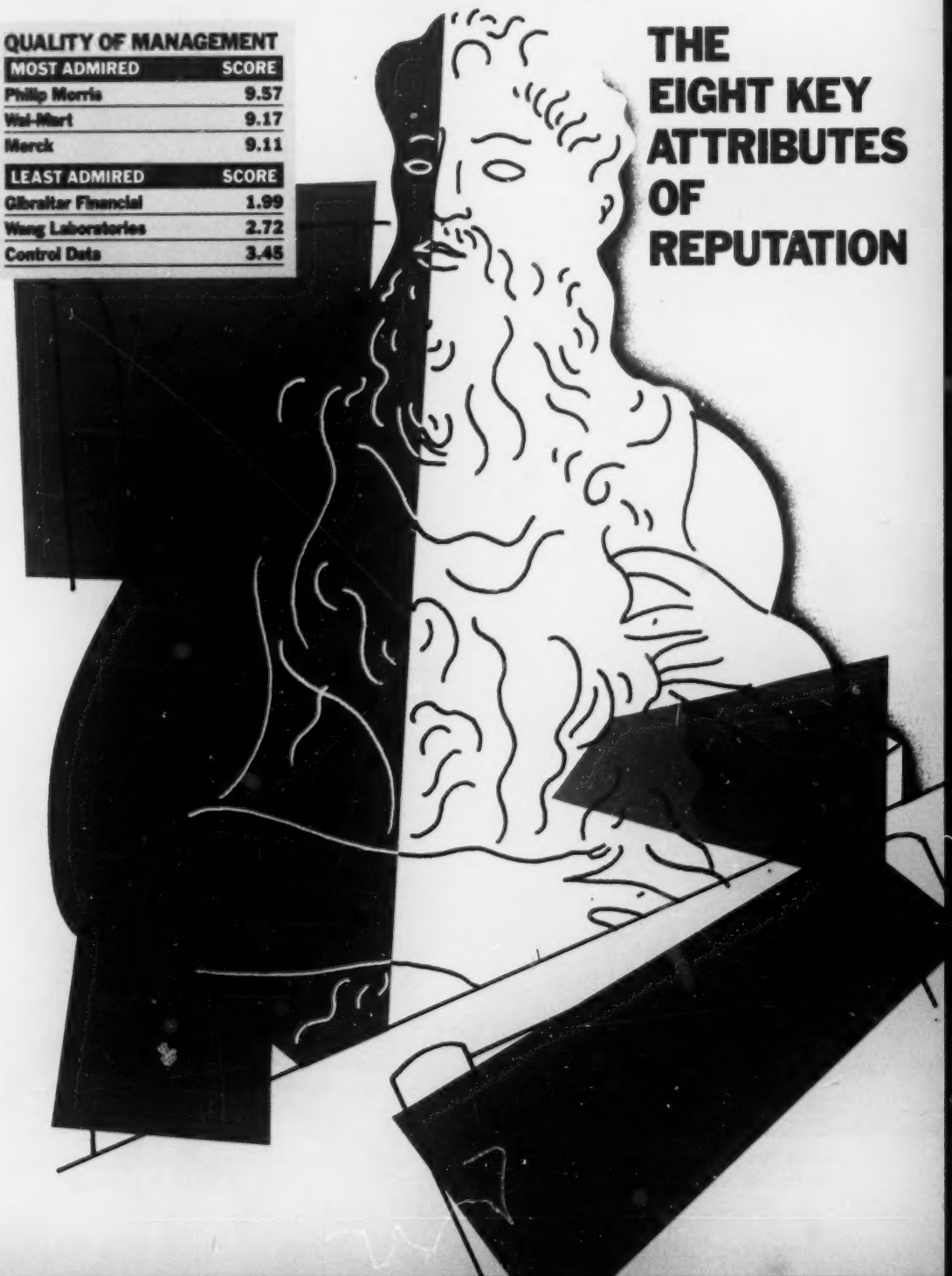


ILLUSTRATION BY TERRY ALLEN

one thing, scientists don't have to campaign for federal and foundation research grants as they do at most universities.

Vagelos allows his stars a lot of freedom. He tolerates and even encourages extracurricular projects: Dr. Donald J. Hupe, for example, spends about 15% of his time working with the National Cancer Institute on potential anticancer drugs. Other staffers contribute time to high schools and colleges to help students grasp the importance of science and math. "We think it is vital to make the U.S. competitive in technical fields," says Vagelos.

One hallmark that particularly endears him to employees is his penchant for promoting them quickly, sometimes skipping several rungs on the ladder. Says Vagelos: "Developing people as fast as possible is the way to have a vibrant and exciting organization." **– Faye Rice**

VALUE AS AN INVESTMENT

■ At first it may seem odd that Philip Morris should rank so high among America's most admired corporations. The Surgeon General reports that one-sixth of all deaths in the U.S. are from cigarette-related ailments, and Philip Morris is by far the leading cigarette producer. But in two years the company has risen from No. 7 in our survey to No. 2, largely by giving shareholders exactly what they want: an outstanding return, year after year after year.

Measured by its value as a long-term investment, Philip Morris ranks No. 1 in the survey. That's particularly impressive, since for much of the decade, tobacco company shares have traded at a lower price to earnings multiple than the average share on the New York Stock Exchange. Says CEO Hamish Maxwell, 63, a soft-spoken and charming Scot: "We have been correcting for that, to some extent, by having better than average earnings growth."

And how! During the 1980s, Philip Morris produced annual increases in earnings per share of roughly 20%. By comparison, stalwarts of similar size such as IBM and Ford had gains averaging less than 7% and 16%, respectively.

True, it is easier to sell smokes than cars or computers. Because most customers find the habit hard to kick, they tend not to resist price increases that outpace inflation. During the past decade, that allowed tobacco industry sales to grow and margins to fatten despite 2% annual declines in cigarette consumption. By increasing its market share from 28% to 40%, Philip Morris gathered more of these riches than anyone else.

Now the company, which acquired the Kraft food giant in late 1988, is working wonders in another business. Last year Maxwell goaded executives at his foods unit to raise profits 30%, mainly by cutting costs. In the previous five years Kraft had produced average earnings gains of only 12%. Wall Street expressed its approval—both of those results and of Philip Morris's new, healthier source of earnings—by bidding up the price of its stock 63% during the year, to a recent $41.50 per share. With that kicker, the company's ten-year total return to investors averaged just over 30% a year—tops among the 305 companies in our survey.

Chief executive since 1984, Maxwell is proud that Philip Morris's managers are not your everyday gaggle of MBAs. Several key executives don't even have college degrees. Some, like the boss himself, are immigrants. "By and large, they have to try a little harder," says Maxwell. If Philip Morris's success has a secret ingredient, that just might be it. **– Stratford P. Sherman**

MICHAEL O'BRIEN

Hamish Maxwell of Philip Morris has pushed his troops to raise earnings per share 20% a year.

LOUIS PSHOYOS - MATRIX

Gault of Rubbermaid gets "livid" about product defects.

QUALITY OF PRODUCTS

■ Don't expect Stanley C. Gault to find it unusual that a maker of plastic household items like toys and ice cube trays could win a reputation for some of the best-made products in the U.S. Hint that plastics were once synonymous with junk, and the chairman of Rubbermaid will launch into an energetic speech on the virtues of his polyethylene and the intricacies of his injection molding.

It is a tub-thumper of a speech—literally. Gault, a vigorous 64, will whomp one of his enormously popular garbage cans and invite you to do the same to a flimsier competing version that stands nearby. "Feel that!" he says. "Look at that," shifting his scorn to a limp Brand X laundry basket and then to a knockoff food storage bin with an (ugh!) crooked label. "On quality I'm a sonofabitch."

Ten years ago Gault was one of six top General Electric managers in the running to become the next CEO. When he sensed he wouldn't get the job, he quit and went to Rubbermaid in Wooster, Ohio, the town where he grew up. In three years the new boss reshuffled, fired, and hired so many executives that only two of 172 key Rubber-

maid managers still held their original jobs. But he transformed what was once a modestly successful company into a superstar. Since 1980 sales have quadrupled and earnings have risen eightfold. Rubbermaid is third this year in overall reputation (it has been among the top seven companies for the past five years) and ranks second, after Merck, for the quality of its products.

Solid manufacturing only partly explains that positive perception. Just as important are providing superb customer service and designing attractive, useful gadgets. Gault, whose true passion is marketing, pays as much attention to how even simple products look and work as he does to the ultraviolet inhibitors in their resins. Sales of big garbage cans jumped 20% when he told engineers to whip some up in a specific shade of blue, instead of the ordinary brown. To make housewares look attractive on dealers' shelves, Rubbermaid adds antistatic chemicals to the plastic so products won't attract dust.

Gault never stops acting as his company's No. 1 quality controller. In 1986 he was walking in Manhattan when he overheard a doorman muttering and swearing as he swept dirt into a Rubbermaid dustpan. "Stan whirled around and started grilling the man on why he was unhappy," recalls treasurer Richard Gates. Gault came away persuaded that the lip where the dustpan meets the floor was too thick, leaving a line of dirt, and told engineers to redesign the product.

He is precise and methodical. Gault still visits several stores a week to see how Rubbermaid products are displayed and to inspect the quality of workmanship. "My wife has come to accept that I will never pass a hardware store without going in," he says. If he finds an ill-fitting lid or wrinkled label, Gault buys up the offending goods and then summons his senior managers to attend a vigorous lecture. "He gets livid about defects," says Walter W. Williams, the chief operating officer.

But ultimately it's Gault's infectious pride in Rubbermaid's products, rather than fear of his wrath, that motivates the troops. When it comes to encouraging quality, passion at the top counts as much as engineering precision at the bottom.

– Brian O'Reilly

ABILITY TO INNOVATE

■ Ever since those long afternoons spent tinkering with his junior chemistry set in the basement of his parents' Sioux City, Iowa, home, Allen "Jake" Jacobson has had a hankering for innovation. It shows. During his four years as CEO, the 3M corporation has pumped out new products at a rate of about 200 a year. Many are modest variations of such ordinary but ubiquitous industrial and consumer items as masking tape or sandpaper. But 3M is also a leading maker of high-tech medical diagnostic equipment and computer imaging systems.

Among U.S. companies only Merck is rated as more innovative than 3M in this year's survey. Naturally, being inventive earns the company something beyond praise. Since last January, 3M's stock has risen 29%.

3M functions as a kind of corporate petri dish that fosters the spirit of innovation in its scientists and engineers. Technical people are encouraged to swap information and ideas in the halls. Once a year the company holds its own private trade show. Each of its more than 115 research labs sets up a booth displaying the latest technologies, and for three days scientists, like hucksters at a fair, try to "sell" their work to each other.

A corporate committee of 3M scientists oversees all research, making sure there is no duplication and cross-pollinating new ideas among divisions. Jacobson gives technical people all the resources they need. In 1988, 3M spent 6.5% of sales, or $689 million, on R&D, twice the average of U.S. industry.

AT 3M, RESEARCHERS SPEND 15% OF THEIR TIME ON PROJECTS THAT WILL PAY OFF ONLY FAR DOWN THE ROAD.

Jacobson believes that top managers go astray if they try to impose too much of their own thinking. Says he: "You've got to sponsor your people's ideas. You've get to help them along." At 3M researchers are encouraged to spend 15% of their time pursuing projects that will pay off only far down the road. But that carrot hides a stick: Jacobson also insists that 25% of each division's annual sales come from products developed in the prior five years.

The company holds scientists and engineers in particularly high esteem. The lab-coat crowd accounts for half of 3M's 135 general managers. A two-tier promotion system allows inventors who don't want to manage to rise to the equivalent of vice president—pay, perks, and all.

Jacobson, 63, a chemical engineer, pushes his researchers to put customers first. "Innovation works from understanding consumer needs," he says. A few notable failures overseas—one was a tape gun that the Japanese wouldn't use because it was shaped like a weapon—have taught him to pay more attention to those who are closest to local markets. That's why he's glad that in the past decade 3M has doubled the number of scientists and researchers working abroad to 2,000. *continued*

LOUIS PSHOYOS—MATRIX

Inside CEO Allen Jacobson: A new 3M product made that image.

He believes that if 3M and other American corporations are to keep their innovative edge, the country will have to produce more engineers. Says the father of three: "It has to start in the second grade. Unless you make a home environment where a child can get interested in math and science, you'll never get anywhere." – **Brian Dumaine**

QUALITY OF MANAGEMENT

■ In the sluggish retailing industry, Wal-Mart Stores stands out as one of the few players with any adrenaline. Its first stadium-size store opened in the Arkansas boondocks just 27 years ago. Today Wal-Mart's profits as a percent of sales are already higher than those of its largest competitors, Sears and K mart. Revenues, which topped $25 billion in 1989, may well outstrip both by 1995.

Since Wal-Mart made its debut among America's ten most admired in 1988, it has continued to bushwack the competition. This year the company places second only to Philip Morris for quality of management, the trait our judges deem the most important factor in shaping reputation. But don't give billionaire Sam Walton, Wal-Mart's charismatic founder, all the credit. That lofty ranking is also a tribute to the man he designated as his successor two years ago, David Glass, 55.

To some outsiders, CEO Glass looks almost invisible. But that may be because this 13-year Wal-Mart veteran sees no reason to fix what ain't broke. Says security analyst Margaret Gilliam of First Boston: "One of the things that makes David so brilliant is that he never questions the principles laid down by Sam."

In matters of style Glass is no Walton clone. While Sam drives a pickup and is a fanatical hunter, this quiet, intense Missourian sticks to his four-year-old Mercury station wagon and unwinds by working out in a corporate fitness center. But as a manager, Glass, like Walton, relies on the 1980s mantra, participation. "We have no superstars at Wal-Mart," he says. "We have average people operating in an environment that encourages everyone to perform way above average."

BOB KENNONTH

Wal-Mart's chief David Glass believes in that management mantra of the Eighties, participation.

> "AT WAL-MART, OUR PHILOSOPHY IS THAT THE BEST IDEAS COME FROM PEOPLE ON THE FIRING LINE," SAYS GLASS.

To stay in touch with employees—or "associates," as they're known in Wal-Martese—Glass and his lieutenants at the company's out-of-the-way headquarters in Bentonville, Arkansas, rely on a communications network worthy of the Pentagon. It includes everything from a six-channel satellite system to a private air force of 11 planes, mostly turboprops. Says Glass: "We believe nothing constructive happens in Bentonville. Our grass-roots philosophy is that the best ideas come from people on the firing line." Glass himself spends several days a week visiting the stores.

To heighten associates' sense of mission, the new boss hands them plenty of responsibility. Glass, who pushed Walton to install computers in every store in the mid-1970s, expects managers for each of the 34 departments within a typical Wal-Mart to run their operations as if they were running their own businesses. The managers are supported with detailed financial statements that show costs and profit margins. Says Glass: "Instead of having one entrepreneur who founded the business, we have got 250,000 entrepreneurs out there running their part of the business."

Having peppered the South and Midwest with stores, Wal-Mart is slowly invading the Northeast. Glass promises, "We will continue to push the perimeters." Just as Sherman did through Georgia, no doubt.– **Sarah Smith**

FINANCIAL SOUNDNESS

■ If you think smart marketing is the key ingredient in Coca-Cola's sparkling performance, think again. The most noteworthy change under Chairman Roberto C. Goizueta has been a shift in focus from boosting sales to maximizing shareholder returns. While President Donald Keough maps out marketing moves, Goizueta, 58, says that he wrestles over how to improve value and financial stability "from the time I get up in the morning to the time I go to bed. I even think about it when I'm shaving. But I use an electric razor, so I think I'm safe."

So do FORTUNE's judges. This year they rated Coke second only to Merck for its financial soundness. A Cuban-born chemical engineer, Goizueta has boosted return on shareholders' equity from 21% in 1981—the year he took charge—to an estimated 32% in 1989. One impressed shareholder is investor extraordinaire Warren Buffett, who recently spent about $1 billion acquiring nearly 7% of Coke's stock. Says Buffett: "There is no more heartfelt compliment than when I sign a check."

CEO Goizueta's winning formula: Lower Coke's dividend payout ratio from 60% in 1981 to 41% and vigorously use that savings to buy equity positions in independent

bottlers. These investments—almost $1 billion in 1989 alone—benefit shareholders because Coke increases sales and attacks bottling inefficiencies. Goizueta certainly has not weighed Coke down with debt. The company ended 1989 with some $400 million in long-term debt, a mere 10% of capitalization.

Even that may seem excessive to some old hands: Remember, this is a company that never borrowed a cent until 1980, when it spent $100 million building a new campuslike headquarters in Atlanta. But while he professes greater boldness—Goizueta says he would be willing to increase debt to 35% of total capital—his actions suggest he remains about as devout a worshiper of clean balance sheets as his predecessors. In nine years as chief, he has lifted year-end debt as high as 20% just once.

As a result Coke today sits on some $2.7 billion in cash, including $1.1 billion in proceeds from its recent sale to Sony of a 49% interest in Columbia Pictures Entertainment. Goizueta likes it that way. Says he: "You never know when opportunity will knock." Meanwhile, he plans to spend some of that spare cash on new international bottling joint ventures. Why? "Why did Willie Sutton rob banks?" he says. "That's where the money is."

Goizueta is frugal in his personal life as well. For over 20 years he and his wife, Olguita, lived in the same house that he had bought as a middle manager. They moved to a larger but still modest new home in 1988 to accommodate their six grandchildren, who visit often.

Owning a sugar refinery had made Goizueta's parents wealthy, but the family lost everything when Fidel Castro seized power in 1959. Goizueta fled to Miami the next year with a job at Coke and little else. His considerable fortune—some $80 million—is based entirely on options and shares he earned at Coke, few of which have been sold. The first shares Goizueta ever bought are still parked in the same New York bank where he opened an account 36 years ago.

To ensure that Coke's operations managers think like the top brass about the cost of the money, Goizueta insists they use a calculation he calls "economic value added." He defines that as after-tax operating profits minus the cost of capital employed to produce those earnings. In recent years each of Coke's 19 division presidents has had to present annual three-year projections of the "economic value" he expects to add to the corporation. Says Goizueta: "Adding economic value to the company is the key to rewarding shareholders in the 1990s." **– Patricia Sellers**

LOUIS PSIHOYOS—MATRIX

Roberto Goizueta of Coke prefers to operate with a large cushion of cash.

CORPORATE CITIZENSHIP

■ CEO Ralph Larsen likes to tell the troops at Johnson & Johnson about his time as a trainee in one of the company's baby-shampoo factories. One morning he attended a meeting where managers argued over whether to ship a large batch of shampoo that was safe but didn't meet J&J's "no tears" standard. The decision: Take the loss.

That kind of dedication to customer and community service hasn't kept Wall Street from weeping with joy: Over the past year J&J's stock has risen nearly 40%. And it *has* won the medical products company top honors for community and environmental responsibility in this year's survey. Says Larsen, who became chief last April: "If we keep trying to do what's right, at the end of the day we believe the marketplace will reward us."

The key to understanding J&J's unusual corporate culture is the Credo, a 44-year-old, 309-word statement created by Robert Wood Johnson, son of the founder. The Credo stresses honesty, integrity, and putting people before profits—phrases common to most such documents. What's unusual is the amount of energy J&J's high executives devote to ensuring that employees live by those words. Every few years, in a kind of conference of bishops, the company gathers senior managers to debate the Credo's contents, a process meant to keep its ideals fresh. On his globe-trotting tours Larsen never fails to mention the document. "I tell employees they have to be prepared to take the short hit," he says. "In the end, they'll prosper."

As an example, Larsen cites the tragic Tylenol case in which eight people died from swallowing poisoned capsules. Although J&J believed someone altered the pill in the stores, not the factory, it recalled all its product and quickly lost $240 million in earnings. That swift action persuaded consumers to stay loyal, and today Tylenol remains the nation's leading brand of painkiller.

When he talks about the credo, Larsen comes off a bit like actor Pat O'Brien playing Knute Rockne: He has the same hefty build, bald head, and wildly enthusiastic eyes. The son of a Brooklyn electrician and a Hofstra graduate, Larsen is currently reading William Manchester's biography of Winston Churchill, *The Last Lion*. Not surprisingly, he admires the British statesman for "his ability to do what's right under adversity."

Larsen maintains J&J is doing just that in South Africa. Despite constant pressure to divest, J&J has refused to budge, arguing it can do more good by staying put. The company finances housing for many of its 1,400 employees, most of them black, and helps

Ralph Larsen of Johnson & Johnson believes the market rewards those who "do what's right."

build schools and hospitals in the townships. When Larsen visited there a few months ago, he told the government that he abhorred apartheid, but he insists, "We'll stay as long as we can be a force for peaceful change."

J&J extends similar generosity to employees at home; it's opening a new day-care center for them this year. Such largess draws criticism, even within the company. But Larsen is sticking to his golden rule. "The Credo shouldn't be viewed as some kind of social welfare program," he says. "It's just plain good business." **-B.D.**

USE OF CORPORATE ASSETS

■ At age 11, Warren Buffett made his first investment, three shares of Cities Service preferred. Forty-eight years later—and several billion dollars richer—the man from Omaha runs one of the most successful conglomerates ever. Since 1964 the per share book value of Berkshire Hathaway, which he controls with a 42% stake, has grown from $19.46 to about $4,300—a rate of 23.7% compounded annually. Last year alone, its net worth rose by $1.5 billion, or 45%. In February, Standard & Poor's gave Berkshire its AAA rating. And now the company has collared a new honor: In its first year in our survey, Berkshire wins first prize for wise use of corporate assets. (Classified previously as a service company, it was too small to be included.)

Though it is considered a publisher according to the government categories that FORTUNE uses, Buffett has no doubts about his real line of work. "I'm in the capital allocation business," he says. "My job is to figure out which business to invest in, with whom, and at what price." Buffett approaches that task with a flexibility most CEOs lack. "I'm not like a steel executive who can think only about how to invest best in steel," he says. "I've got a bigger canvas, simply because I have spent my life looking at companies, starting with Abbott Labs and going through to Zenith."

Even today, Buffett still searches for investments by browsing through *Value Line* from A to Z every week. He also reads "hundreds and hundreds of annual reports," as well as plenty of business magazines and newspapers, and he much prefers such solitary research to having hot tips delivered in person. Says Buffett: "It's easier to throw away magazines than throw somebody out of my office."

Ever the maverick, Buffett became a disciple of the late Benjamin Graham's investment theories long before they were fashionable. He still hews to Graham's advice to ignore the financial market's ups and downs and only buy shares in companies whose intrinsic value is higher than their stock price. Each of Berkshire's operating companies is an easily understood gem producing returns on equity capital averaging about 67%. Buffett refers to them as "the Sainted Seven," and they are: See's Candies, Nebraska Furniture Mart, Buffalo *News*, World Book Encyclopedia, vacuum cleaner maker Kirby, manufacturer Scott Fetzer, and uniform maker Fechheimer Brothers. In addition, Berkshire has rich stock investments in a number of corporations, which Buffett judges on the same criteria as the companies he buys outright. Among them are Capital Cities/ABC, Geico, Washington Post Co., and Coca-Cola.

In an era of Trump-size egos and hostility, Buffett is low key and friendly. He is seen as so benevolent that Wall Street has dubbed him a "white squire." This impeccable reputation has recently helped him get some very good deals. CEOs eager to avoid hostile takeovers have taken to offering Buffett convertible preferred stock with a high dividend, confident that he will never mount a hostile raid. Last year Buffett bought such shares in USAir Group, Gillette, and Champion International and took a seat on the Gillette board.

He continues to make a lot of investors rich. How rich? Well, in November 1988, Berkshire moved from the Nasdaq market to the New York exchange. The shares began 1989 at about $4,700, and by the end of the year the stock had climbed nearly 85%, to $8,675. Now eat your hearts out: An estimated 80% of the stock is held by owners who paid less than $100 per share. **-S.S.**

Nobody has a better reputation for allocating capital than Berkshire Hathaway's Warren Buffett.

AMERICA'S MOST ADMIRED CORPORATIONS

Merck gets the gold in our reputations Olympiad for the fourth straight year. But watch out for silver medalist Philip Morris, which gave the champ its closest race yet. ■ *by Sarah Smith*

THE GREEKS had a word for it: *eudoxia*—reputation. Shakespeare's Iago called it "the immortal part of myself." To his Richard II, it was "the purest treasure mortal times afford." Today's managers may put it more prosaically, but they know that in a fiercely competitive world where news spreads—and views can change—on a nanosecond's notice, a solid reputation has never been more important. Says David Glass, CEO of Wal-Mart Stores: "It helps you with customers, suppliers, and employees. Your reputation is everything and should be protected at any cost."

No company has nurtured this invaluable asset better than Merck. For the fourth straight year, the New Jersey pharmaceuticals giant scored highest among the 305 major corporations in our annual poll of nearly 8,000 executives, directors, and financial analysts. But the competition is getting tougher. Rated on a scale of 0 to 10 in each of eight categories, Merck averaged 8.90 this year. It earned top honors by four measures, including quality of products and soundness of financial position. Two of the other categories were won by silver medalist Philip Morris, which scored 8.78 overall. Never during Merck's reign as champ has its lead been so narrow.

Several other corporations gained considerable ground in the view of executives and other experts, all of whom rated companies within their own industries. By pressing ahead with the most radical restructuring in its recent history, Procter & Gamble shed its image as the corporate Kremlin and leaped nine places to No. 4. Du Pont joined the first team for the first time, moving from No. 15 a year ago to No. 10. PepsiCo rose a notch to tie the retailing wizards at Wal-Mart for the No. 6 spot. Pepsi was joined in the top ten by Coca-Cola and Anheuser-Busch—an unprecedented trifecta for the three biggest U.S. beverage companies and a tribute to their ability to gain global market share without choking off profit growth.

Inevitably, some slipped. Boeing, which suffered a six-week strike, dipped to No. 11 from No. 8. Furniture maker Herman Miller, hammered by a slump in spending on office refurbishing, dropped 24 places to No. 33. Big Oil also looked smaller. Shell Oil slipped four places to No. 14. Exxon, wounded by the disastrous Alaskan oil spill, plummeted from the sixth spot to No. 110.

What does it take to win—and keep—a top reputation? For one thing, consistently spectacular profit growth. Merck's earnings per share have risen at least 25% for 14 consecutive quarters. On revenues over five times larger than Merck's, Philip Morris routinely logs 20% annual increases in earnings per share. Rubbermaid, which occupies the No. 3 spot and is a perennial star of this survey, has met or surpassed CEO Stanley Gault's goal of 15% annual

HOW IT WAS DONE

■ Our eighth annual Corporate Reputations Survey covers 305 companies in the 32 industry groups that appeared in last year's FORTUNE 500 and FORTUNE Service 500. We polled more than 8,000 high executives, outside directors, and financial analysts and asked them to rate the ten largest companies in their own industry (a shorter list in some cases) on eight attributes, using a scale of 0 (poor) to 10 (excellent). The attributes were quality of management; quality of products or services; innovativeness; long-term investment value; financial soundness; ability to attract, develop, and keep talented people; community and environmental responsibility; and use of corporate assets.

Companies are assigned to an industry group according to the business that contributed most to their 1988 sales. All of the corporations that appear on FORTUNE's reputations list make public filings of their key financial information.

ILLUSTRATIONS BY TERRY ALLEN

AT THE TOP & BOTTOM OF THE 305 COMPANIES

THE MOST ADMIRED

Merck still reigns as America's most admired large corporation. Procter & Gamble, Coca-Cola, and Anheuser-Busch return to the top ten after at least a year away, while Du Pont is the only first-timer.

RANK	LAST YEAR	COMPANY	SCORE
1	1	**Merck** Pharmaceuticals	8.90
2	4	**Philip Morris** Tobacco	8.78
3	2	**Rubbermaid** Rubber products	8.42
4	*13	**Procter & Gamble** Soaps, cosmetics	8.37
5	3	**3M** Scientific and photographic equipment	8.21
6	7	**PepsiCo** Beverages	8.16
6	5	**Wal-Mart** Retailing	8.16
8	*13	**Coca-Cola** Beverages	8.15
9	17	**Anheuser-Busch** Beverages	7.96
10	15	**Du Pont** Chemicals	7.93

*P&G and Coca-Cola were tied in score last year.

THE LEAST ADMIRED

California's Gibraltar Financial Corp., the next-to-least-admired in 1988, wins this year's booby prize. New to the bottom ten are Wang Labs, United Merchants & Manufacturers, K-H Corp., and Unisys.

RANK	LAST YEAR	COMPANY	SCORE
305	304	**Gibraltar Financial** Savings institutions	2.24
304	289	**Wang Laboratories** Computers (and office equipment)	3.06
303	298	**Control Data** Computers (and office equipment)	3.59
302	302	**Meritor Financial Group** Savings institutions	3.61
301	303	**Texas Air** Transportation	3.72
300	300	**LTV** Metals	3.86
299	–	**National Steel** Metals	4.01
298	295	**United Merchants & Mfrs.** Textiles	4.03
297	292	**K-H** Motor vehicles & parts	4.05
296	260	**Unisys** Computers (and office equipment)	4.18

WHAT THEY DID FOR SHAREHOLDERS

sales and earnings growth for three years running. PepsiCo has spent some $8 billion on acquisitions since 1985 and increased earnings at a compound annual rate of over 20% while doing so. Says Chief Executive D. Wayne Calloway: "We are not letting building for the 1990s get in the way of everyday results."

Muscular profits, of course, lift share prices. In 1989, Philip Morris's stock rose 63%, Merck's 34%, Procter & Gamble's 61%. P&G's former chief, John Smale, and his successor, Edwin Artzt, successfully pushed management authority down and speeded up decision-making. Better chemistry with shareholders also lifted Du Pont. By raising the quarterly dividend from $1.05 to $1.20 and announcing a $2 billion share repurchase program, new CEO Edgar Woolard improved his company's value as a long-term investment from 7.50 to 7.82 in our judges' rating.

The most admired are masters at rolling out new products and services. Merck holds one of the deepest hands among global players in the $100-billion-a-year prescription drug market. Last year 15 of its drugs had sales of over $100 million. Rubbermaid creates so many toys, trash cans, dish drains, and other plastic goodies that products less than five years old account for more than 30% of sales.

Nothing burnishes a reputation like being No. 1 in a market—and then gaining new ground. Declining sales throughout the 1980s left many U.S. tobacco companies gasping. By targeting its massive advertising budget more effectively on key audiences, such as smokers in their 20s, Philip Morris raised its market share from 31% to 42%.

Anheuser-Busch boosted its brands' share of the $15 billion U.S. beer market from 28% in 1980 to 43%. Since FORTUNE completed its survey on October 31, the short-term financial performance of No. 9 Anheuser has gone a bit flatter—the result of a bitter beer price war. But Salomon Brothers analyst Hugh Zurkuhlen thinks no one will keep the King of Beers from its goal of swallowing 50% of the U.S. market by the mid-1990s. Says he: "GM peaked in the late 1950s, and Sears in the early 1970s, once they got into a monopolistic situation. But Anheuser shows no sign of getting fat and happy."

LAUREL-RESTING and resistance to change are rarely found among those who top FORTUNE's honor roll. Consider 3M, which ranked fifth overall. Though awash in products—60,000 at last count—3M has spent $6 billion over the past five years redesigning its merchandise and reshaping manufacturing lines. Says security analyst Theresa Gusman of Salomon Brothers: "This is a company that develops a whole new process for making Scotch tape, even when it already dominates the market. They are amazing."

Merck, whose drugs have almost all been homegrown, is beginning to look beyond its own labs. To maintain strong earnings growth throughout this decade, the company is teaming with Johnson & Johnson to develop new over-the-counter drugs and with Du Pont on prescription pharmaceuticals that will help fight hypertension. PepsiCo—already the beverage industry leader in attracting, developing, and keeping talented people, according to our judges—gave each of its 100,000 employees stock options worth 10% of their salaries in 1989. Says CEO Calloway, who plans to continue the practice every year: "This just reinforces the theme that employees are the stewards of PepsiCo's assets."

But winners beware. Once any company's grip on the marketplace starts to slip, its reputation soon follows. Getting back on top can be harder than staying there. Ask IBM.

Big Blue held the most admired title until 1986, when Merck passed it, and its rank has been dropping ever since. In the current survey IBM fell 11 places to No. 45 and yielded the top spot in the computer industry to Hewlett-Packard for the second year

MOST ADMIRED

COMPANY	TOTAL RETURN TO INVESTORS 1979–89 annual average
Merck	23.9%
Philip Morris	30.1%
Rubbermaid	29.1%
Procter & Gamble	19.0%
3M	17.0%
PepsiCo	26.7%
Wal-Mart	46.1%
Coca-Cola	26.8%
Anheuser-Busch	29.4%
Du Pont	17.7%

LEAST ADMIRED

COMPANY	TOTAL RETURN TO INVESTORS 1979–89 annual average
Gibraltar Financial	–35.9%
Wang Laboratories	–3.7%
Control Data	–3.0%
Meritor Financial Group	N.A.
Texas Air	2.8%
LTV	–17.0%
National Steel	N.A.
United Merchants & Mfrs.	–9.9%
K-H	N.A.
Unisys	–1.1%

THE LINK BETWEEN REPUTATIONS AND RETURNS

Each of the most admired has consistently paid investors terrific returns. Wal-Mart's average annual total return (dividends plus appreciation in the stock) since 1979 leads the top ten. Those companies with the worst reputations produced poor long-term financial rewards.

in a row. Powerful desktop machines continue to slow the growth of the higher-margin mainframe market that IBM has long ruled, and the company has yet to devise a convincing strategy for coping with that shift. Recently, IBM announced its boldest move yet—a $2.3 billion cost-cutting drive that will trim 10,000 jobs from its 216,000-strong U.S. payroll.

IBM's troubles pale beside those of Unisys, another maker of large computers unable—so far—to adapt to the new world. From No. 260 last year, the company fell to No. 296 in 1989. There it joins two other data-processing doormats—Wang Laboratories, which dropped near the depths last year, and Control Data, which has been stuck among the bottom ten since 1987.

The least admired rarely stay in the cellar for more than a few years. The bad news is that many of them escape it by getting swallowed up. That fate in recent years claimed American Motors and Financial Corp. of America, among others. But Gibraltar Financial Corp. of Beverly Hills, this year's biggest loser in all eight categories, has other problems. Early in 1989 federal thrift regulators seized the bank holding company's two troubled operating subsidiaries, both of which were holding a bundle of money-losing real estate loans.

DEBT CRUSHED many reputations in 1989. The list of companies whose scores fell the most reads like a Who's Who of big borrowers: Interco, Ohio Mattress, West Point–Pepperell, and RJR Nabisco. RJR, which went private in a buyout of record size, sank most sharply—from No. 17 to No. 267—and took its biggest hit in the soundness of financial position category.

A few losers are on the mend. After four years among the bottom ten, BankAmerica leaped from No. 301 to No. 257, the best gain of any company. Bloodied by its foray into Latin America and a string of dumb loans in the U.S., the bank lost nearly $2 billion from 1985 to 1987. But since then a new management team, mainly recruited from Wells Fargo, has turned things around by shedding bad loans and aggressively pursuing retail customers. Says Prudential-Bache analyst George Salem: "BankAmerica now has one of the cleanest domestic portfolios in the business." In that happy respect at least, the business world differs from Shakespeare's tragedies. It's not impossible that a spotless reputation, once lost, might be regained.

REPORTER ASSOCIATE *Carol Davenport*

BIGGEST GAINS OVER LAST YEAR

BankAmerica, the most improved, fashioned an impressive comeback after nearly going down for the count. Lighter debt loads helped lift Texaco and Tenneco. Three tobacco companies—UST, American Brands, and Philip Morris—were among the top gainers.

COMPANY	POINT CHANGE	PERCENT	SCORE
BankAmerica	+1.64	42.9	5.46
Texaco	+1.09	23.5	5.73
UST	+0.93	14.0	7.58
United Technologies	+0.85	14.9	6.54
American Brands	+0.77	12.7	6.83
Tenneco	+0.75	14.7	5.84
American International Group	+0.68	10.3	7.30
Equitable Life Assurance	+0.65	14.4	5.16
American Standard	+0.63	11.2	6.29
Philip Morris	+0.63	7.8	8.78

BIGGEST LOSSES FROM LAST YEAR

Few reputations have dropped as dramatically as that of RJR Nabisco, which was taken private in 1988 by KKR in a record $25 billion buyout. The chief culprit in RJR's decline—a daunting debt load—was a trait shared by a number of the other big losers.

COMPANY	POINT CHANGE	PERCENT	SCORE
RJR Nabisco	−2.43	−31.6	5.27
Wang Laboratories	−1.58	−33.9	3.08
West Point-Pepperell	−1.46	−21.9	5.18
Ohio Mattress	−1.45	−21.5	5.31
Exxon	−1.35	−16.8	6.70
Interco	−1.20	−19.5	4.95
Unisys	−1.15	−21.6	4.18
Gibraltar Financial	−1.10	−32.9	2.24
Mack Trucks	−0.99	−18.1	4.49
Eastman Kodak	−0.77	−10.6	6.49

Gibraltar Financial 2.24
Wang Labs 3.08
0
0.5
1.0
1.5
2.0
2.5
3.0
LEAST ADMIRED

HOW ALL 305 COMPANIES RANK

Here are their scores, covering eight attributes, on a scale from zero to ten.

LTV 3.86
Texas Air 3.72
Meritor Financial Group 3.61
Control Data 3.59

Mack Trucks 4.49
Unisys 4.18
K-H 4.05
United Merch. & Mfrs. 4.03
National Steel 4.01

First Interstate Bancorp 4.98
Interco 4.95
Beatrice 4.88
Crossland Savings 4.88
Northrop 4.88
Zenith Electronics 4.82
Bethlehem Steel 4.67
Manville 4.65
Manufacturers Hanover 4.55

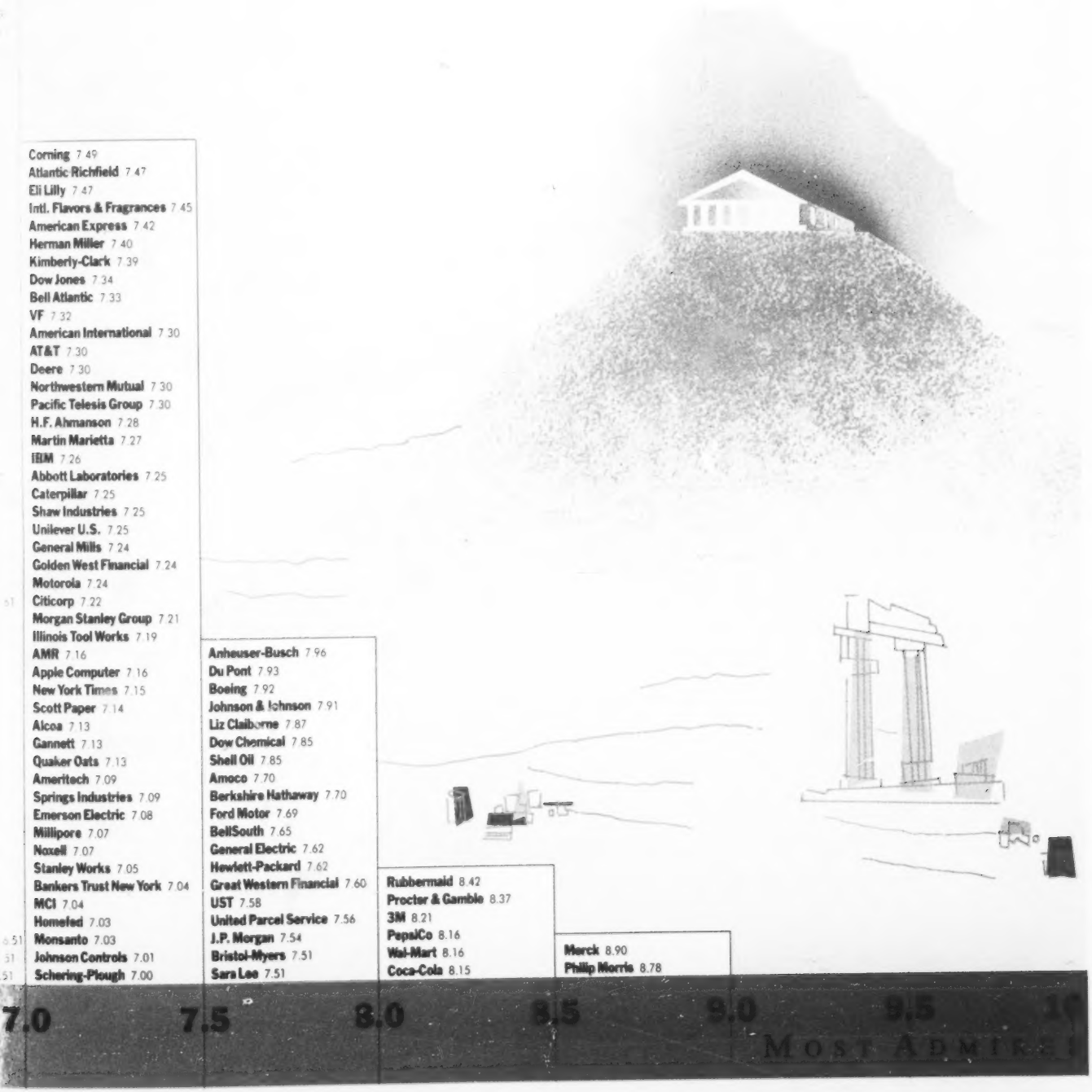
Asarco 5.48
Fieldcrest Cannon 5.48
CSX 5.47
BankAmerica 5.46
Hanson Industries NA 5.46
Safeway 5.45
Burlington Holdings 5.37
Fruit of the Loom 5.37
Henley Group 5.36
Chemical Banking 5.34
Glenfed 5.32
Ohio Mattress 5.31
Calfed 5.30
RJR Nabisco 5.27
SmithKline Beckman 5.26
Travelers 5.24
Great American Bank 5.23
Occidental Petroleum 5.23
USG 5.23
W.R. Grace 5.22
Mohasco 5.22
Union Carbide 5.21
Armco 5.19
Nortek 5.18
West Point-Pepperell 5.18
Sears Roebuck 5.17
Equitable Life Assurance 5.16
Warnaco 5.14
DWG 5.09
Santa Fe Pacific 5.08
Avon Products 5.04
Navistar International 5.03

Leslie Fay 5.99
Hartmarx 5.98
McGraw Hill 5.97
Unocal 5.97
Amax 5.96
Bank of New York 5.95
Minstar 5.95
Perkin-Elmer 5.95
Boise Cascade 5.94
Weyerhaeuser 5.94
Fluor 5.92
Owens-Illinois 5.92
Phillips-Van Heusen 5.92
Stone Container 5.92
Fleming 5.87
Connecticut General Life 5.86
Combustion Engineering 5.85
Chrysler 5.84
Tenneco 5.84
Cigna 5.82
McDonnell Douglas 5.82
John Hancock 5.81
Textron 5.77
Allied-Signal 5.76
Kroger 5.74
Pitney Bowes 5.74
Texaco 5.73
UAL 5.73
Constar International 5.71
Oxford Industries 5.70
Dr Pepper/Seven-Up 5.69
Ryder System 5.69
Travelers Corp. 5.69
Tyler 5.69
Lafarge 5.68
Maxus Energy 5.68
Tektronix 5.66
Honeywell 5.65
K mart 5.65
American Financial 5.63
Chase Manhattan 5.60
Borg-Warner 5.58
Litton Industries 5.56
American Stores 5.55
Champion International 5.54
Hillsborough Holdings 5.54
USX 5.50
Westmoreland Coal 5.50

Brunswick 6.49
Eastman Kodak 6.49
Hoechst Celanese 6.49
Cummins Engine 6.47
General Dynamics 6.47
James River 6.45
Owens-Corning Fiberglas 6.45
Rockwell International 6.44
Baxter International 6.43
Kellwood 6.43
Becton Dickinson 6.42
Cyprus Minerals 6.42
Pfizer 6.41
Fed. Nat'l Mortgage Assn. 6.40
Raytheon 6.40
Avondale Industries 6.37
Borden 6.36
Time Warner 6.36
McKesson 6.33
Union Texas 6.33
International Paper 6.32
Nynex 6.32
Whirlpool 6.32
Coca-Cola Enterprises 6.31
Dresser Industries 6.31
Louisiana Land & Expl. 6.31
Metropolitan Life 6.31
Super Valu Stores 6.31
Union Pacific 6.30
American Standard 6.29
Phelps Dodge 6.29
TRW 6.28
Vulcan Materials 6.28
Lockheed 6.27
Hon Industries 6.26
Phillips Petroleum 6.21
Southern 6.21
Aetna Life & Casualty 6.19
New York Life 6.19
Baker Hughes 6.18
Mitchell Energy 6.17
Adolph Coors 6.16
Dibrell Brothers 6.16
Kimball International 6.15
Merrill Lynch 6.15
Norton 6.15
USAir Group 6.13
Gr. Atlantic & Pacific Tea 6.11
NCR 6.11
Halliburton 6.09
Carlisle 6.08
General Motors 6.08
Salomon 6.07
Inland Steel 6.06
Aetna Life 6.05
ITT 6.05
Burlington Northern 6.04
Harsco 6.04
Nerco 6.04
North American Philips 6.04
Teachers Ins. & Annuity 6.04
Standard Commercial 6.04
Alberto Culver 6.03
Polaroid 6.02

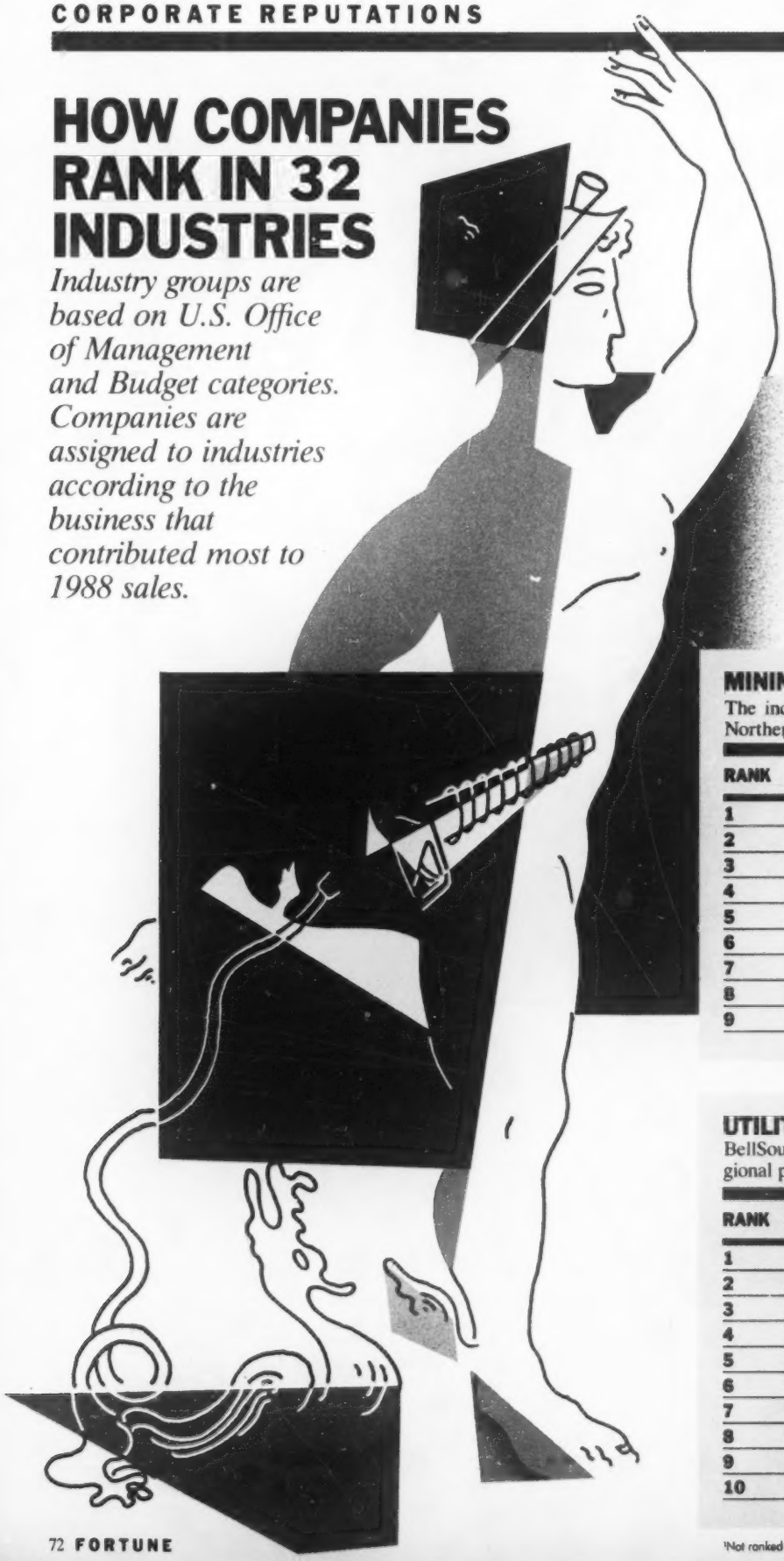
ConAgra 6.98
Mobil 6.96
R.R. Donnelley & Sons 6.94
Prudential 6.94
Southwestern Bell 6.93
Trinity Industries 6.93
Armstrong 6.92
Clorox 6.91
Cooper Tire & Rubber 6.91
Bayer USA 6.89
Burlington Resources 6.89
Delta Air Lines 6.89
Fleetwood Enterprises 6.89
Hillenbrand Industries 6.89
Masco 6.88
PPG Industries 6.88
Black & Decker 6.87
Dayton Hudson 6.84
Gillette 6.84
Newell 6.84
Reynolds Metals 6.84
US West 6.84
American Brands 6.83
Mead 6.83
Chevron 6.81
Universal 6.81
Eaton 6.80
Tribune 6.80
Colgate-Palmolive 6.79
Security Pacific 6.79
Leggett & Platt 6.73
Georgia Pacific 6.72
Guilford Mills 6.72
Times Mirror 6.72
Standard Products 6.71
Digital Equipment 6.70
Exxon 6.70
Ralston Purina 6.68
Premark International 6.67
Dana 6.66
Parker Hannifin 6.66
Ferro 6.65
Crown Cork & Seal 6.63
Dover 6.62
Outboard Marine 6.61
Goodyear Tire & Rubber 6.61
Knight-Ridder 6.61
BASF 6.60
Ingersoll-Rand 6.60
Paccar 6.60
Warner-Lambert 6.60
Ball 6.59
GTE 6.58
Xerox 6.58
Westinghouse 6.56
Dixie Yarns 6.55
Lorillard 6.55
Texas Instruments 6.55
Archer Daniels Midland 6.54
Pacific Gas & Electric 6.54
J.C. Penney 6.54
United Technologies 6.54
Brown-Forman 6.53
United Telecom. 6.52
American Home Products 6.51
May Department Stores 6.51
Jos. E. Seagram & Sons 6.51

3.5 4.0 4.5 5.0 5.5 6.0 6.5


Corning 7.49
Atlantic Richfield 7.47
Eli Lilly 7.47
Intl. Flavors & Fragrances 7.45
American Express 7.42
Herman Miller 7.40
Kimberly-Clark 7.39
Dow Jones 7.34
Bell Atlantic 7.33
VF 7.32
American International 7.30
AT&T 7.30
Deere 7.30
Northwestern Mutual 7.30
Pacific Telesis Group 7.30
H.F. Ahmanson 7.28
Martin Marietta 7.27
IBM 7.26
Abbott Laboratories 7.25
Caterpillar 7.25
Shaw Industries 7.25
Unilever U.S. 7.25
General Mills 7.24
Golden West Financial 7.24
Motorola 7.24
Citicorp 7.22
Morgan Stanley Group 7.21
Illinois Tool Works 7.19
AMR 7.16
Apple Computer 7.16
New York Times 7.15
Scott Paper 7.14
Alcoa 7.13
Gannett 7.13
Quaker Oats 7.13
Ameritech 7.09
Springs Industries 7.09
Emerson Electric 7.08
Millipore 7.07
Noxell 7.07
Stanley Works 7.05
Bankers Trust New York 7.04
MCI 7.04
Homefed 7.03
Monsanto 7.03
Johnson Controls 7.01
Schering-Plough 7.00
Anheuser-Busch 7.96
Du Pont 7.93
Boeing 7.92
Johnson & Johnson 7.91
Liz Claiborne 7.87
Dow Chemical 7.85
Shell Oil 7.85
Amoco 7.70
Berkshire Hathaway 7.70
Ford Motor 7.69
BellSouth 7.65
General Electric 7.62
Hewlett-Packard 7.62
Great Western Financial 7.60
UST 7.58
United Parcel Service 7.56
J.P. Morgan 7.54
Bristol-Myers 7.51
Sara Lee 7.51
Rubbermaid 8.42
Procter & Gamble 8.37
3M 8.21
PepsiCo 8.16
Wal-Mart 8.16
Coca-Cola 8.15
Merck 8.90
Philip Morris 8.78
7.0
7.5
8.0
8.5
9.0
9.5
MOST ADMIRED

HOW COMPANIES RANK IN 32 INDUSTRIES

Industry groups are based on U.S. Office of Management and Budget categories. Companies are assigned to industries according to the business that contributed most to 1988 sales.



PETROLEUM REFINING

Haunted by the Valdez spill, Exxon fell to No. 6. Analysts ranked it lower than did executives and directors.

RANK	LAST YEAR	COMPANY	SCORE
1	2	Shell Oil	7.85
2	3	Amoco	7.70
3	4	Arco	7.47
4	5	Mobil	6.96
5	7	Chevron	6.81
6	1	Exxon	6.70
7	–	Phillips Petroleum[1]	6.21
8	–	Unocal[1]	5.97
9	10	Texaco	5.73
10	8	USX	5.50

MINING, CRUDE OIL PRODUCTION

The industry's new No. 1 is a spinoff of Burlington Northern railroad's asset-rich energy businesses.

RANK	LAST YEAR	COMPANY	SCORE
1	–	Burlington Resources[1]	6.89
2	3	Cyprus Minerals	6.42
3	6	Union Texas	6.33
4	4	Louisiana Land & Exploration	6.31
5	1	Vulcan Materials	6.28
6	4	Mitchell Energy	6.17
7	7	Nerco	6.04
8	9	Maxus Energy	5.68
9	8	Westmoreland Coal	5.50

UTILITIES

BellSouth, the biggest and most profitable of the regional phone companies, was tops in every category.

RANK	LAST YEAR	COMPANY	SCORE
1	1	BellSouth	7.65
2	2	Bell Atlantic	7.33
3	4	Pacific Telesis Group	7.30
4	3	Ameritech	7.09
5	6	Southwestern Bell	6.93
6	7	US West	6.84
7	9	GTE	6.58
8	8	Pacific Gas & Electric	6.54
9	5	Nynex	6.32
10	10	Southern	6.21

[1]Not ranked last year.

FOREST PRODUCTS

Kimberly-Clark leads in all categories but social responsibility, where Weyerhaeuser repeats as winner.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Kimberly-Clark	7.39
2	2	Scott Paper	7.14
3	3	Mead	6.83
4	7	Georgia-Pacific	6.72
5	4	James River	6.45
6	10	International Paper	6.32
7	6	Boise Cascade	5.94
7	5	Weyerhaeuser	5.94
9	8	Stone Container	5.92
10	9	Champion International	5.54

PHARMACEUTICALS

Led by No. 1 Merck, the industry has a median score of 7.13, the highest of all 32 groups surveyed.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Merck	8.90
2	2	Johnson & Johnson	7.91
3	5	Bristol-Myers	7.51
4	4	Eli Lilly	7.47
5	3	Abbott Laboratories	7.25
6	–	Schering-Plough[1]	7.00
7	7	Warner-Lambert	6.60
8	8	American Home Products	6.51
9	6	Pfizer	6.41
10	10	SmithKline Beckman[2]	5.26

TEXTILES

Carpet maker Shaw Industries of Dalton, Georgia, delivered record earnings and leaps into first place.

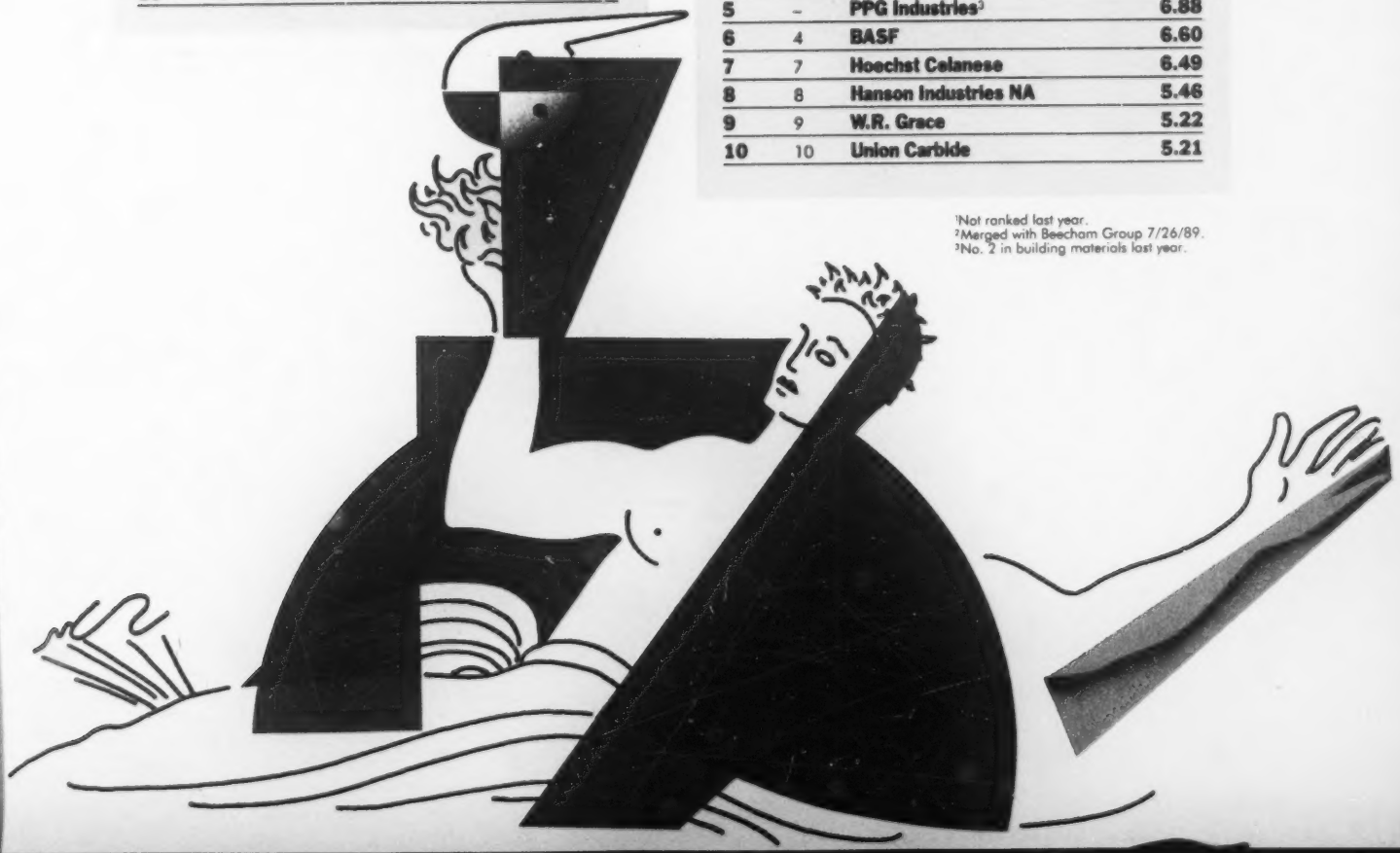
RANK	LAST YEAR	COMPANY	SCORE
1	4	Shaw Industries	7.25
2	1	Springs Industries	7.09
3	3	Armstrong	6.92
4	2	Guilford Mills	6.72
5	6	Dixie Yarns	6.55
6	8	Fieldcrest Cannon	5.48
7	9	Burlington Holdings	5.37
8	5	West Point-Pepperell	5.18
9	7	DWG	5.09
10	10	United Merchants & Mfrs.	4.03

CHEMICALS

Once again, two archrivals have traded places at the top. In 1988 Dow won. This year it's Du Pont.

RANK	LAST YEAR	COMPANY	SCORE
1	2	Du Pont	7.93
2	1	Dow Chemical	7.85
3	6	Monsanto	7.03
4	3	Bayer USA	6.89
5	–	PPG Industries[3]	6.88
6	4	BASF	6.60
7	7	Hoechst Celanese	6.49
8	8	Hanson Industries NA	5.46
9	9	W.R. Grace	5.22
10	10	Union Carbide	5.21

[1]Not ranked last year.
[2]Merged with Beecham Group 7/26/89.
[3]No. 2 in building materials last year.



BUILDING MATERIALS

Corning scores another easy win. It ranks as the most admired company in the industry by every yardstick.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Corning[2]	7.49
2	3	Owens-Corning Fiberglas	6.45
3	–	American Standard[3]	6.29
4	4	Norton	6.15
5	5	Owens-Illinois	5.92
6	6	Lafarge	5.68
7	8	Hillsborough Holdings[4]	5.54
8	7	USG	5.23
9	–	Nortek[1]	5.18
10	10	Manville	4.65

RUBBER PRODUCTS

Despite competition from four newcomers, Rubbermaid wins handily for the fifth year in a row.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Rubbermaid	8.42
2	–	Millipore[1]	7.07
3	–	Johnson Controls[1]	7.01
4	2	Cooper Tire & Rubber	6.91
5	5	Standard Products	6.71
6	3	Premark International	6.67
7	–	Ferro[1]	6.65
8	4	Goodyear Tire & Rubber	6.61
9	6	Carlisle	6.08
10	–	Constar International[1]	5.71

METAL PRODUCTS

Illinois Tool, No. 1 for three years, leads by four measures. Gillette has the edge in innovativeness.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Illinois Tool Works	7.19
2	2	Stanley Works	7.05
3	–	Hillenbrand Industries[1]	6.89
4	4	Gillette	6.84
4	–	Newell[1]	6.84
6	7	Crown Cork & Seal	6.63
7	5	Ball	6.59
8	9	Harsco	6.04
9	–	Combustion Engineering[1]	5.85
10	–	Tyler[1]	5.69

METALS

Alcoa continues to foil rivals: It has been No. 1 since 1983. Reynolds wins in use of assets and innovation.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Alcoa	7.13
2	2	Reynolds Metals	6.84
3	4	Phelps Dodge	6.29
4	3	Inland Steel	6.06
5	5	Amax	5.96
6	–	Asarco[1]	5.48
7	6	Armco	5.19
8	8	Bethlehem Steel	4.67
9	–	National Steel[1]	4.01
10	10	LTV	3.86

[1]Not ranked last year.
[2]Name changed from Corning Glass Works.
[3]No. 10 in industrial and farm equipment last year.
[4]Name changed from Jim Walter.

RETAILING

Sears slumps. Dayton Hudson wins for responsibility, while Wal-Mart ranks first in everything else.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Wal-Mart	8.16
2	2	Dayton Hudson	6.84
3	3	J.C. Penney	6.54
4	4	May Department Stores	6.51
5	–	Great Atlantic & Pacific Tea[1]	6.11
6	7	Kroger	5.74
7	5	K mart	5.65
8	8	American Stores	5.55
9	9	Safeway	5.45
10	6	Sears Roebuck	5.17

SOAPS, COSMETICS

No. 1 Procter & Gamble cleans up in every attribute. Avon ranks last—except in social responsibility.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Procter & Gamble	8.37
2	2	Intl. Flavors & Fragrances	7.45
3	–	Unilever U.S.[1]	7.25
4	–	Noxell[1,2]	7.07
5	5	Clorox	6.91
6	4	Colgate-Palmolive	6.79
7	–	Alberto Culver[1]	6.03
8	9	Avon Products	5.04

APPAREL

Other clothing makers just don't measure up to Liz Claiborne. The trendsetter is tops by six measures.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Liz Claiborne	7.87
2	2	VF	7.32
3	4	Kellwood	6.43
4	7	Leslie Fay	5.99
5	3	Hartmarx	5.98
6	6	Phillips-Van Heusen	5.92
7	10	Oxford Industries	5.70
8	8	Fruit of the Loom	5.37
9	9	Warnaco	5.14

[1]Not ranked last year.
[2]Acquired by Procter & Gamble 11/30/89.

FOOD

RJR who? Shrugging aside its hefty new rival, Sara Lee wins the blue ribbon for the fourth straight year.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Sara Lee	7.51
2	2	General Mills	7.24
3	–	Quaker Oats[1]	7.13
4	4	ConAgra	6.98
5	5	Ralston Purina	6.68
6	7	Archer Daniels Midland	6.54
7	6	Borden	6.36
8	–	RJR Nabisco[2]	5.27
9	10	Occidental Petroleum	5.23
10	9	Beatrice	4.88

TOBACCO

Consistently rich returns and a steadily rising market share have given Philip Morris king-size scores.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Philip Morris	8.78
2	3	UST	7.58
3	5	American Brands	6.83
4	4	Universal	6.81
5	–	Loriliard[1]	6.55
6	–	Dibrell Brothers[3]	6.16
7	–	Standard Commercial[1]	6.04

BEVERAGES

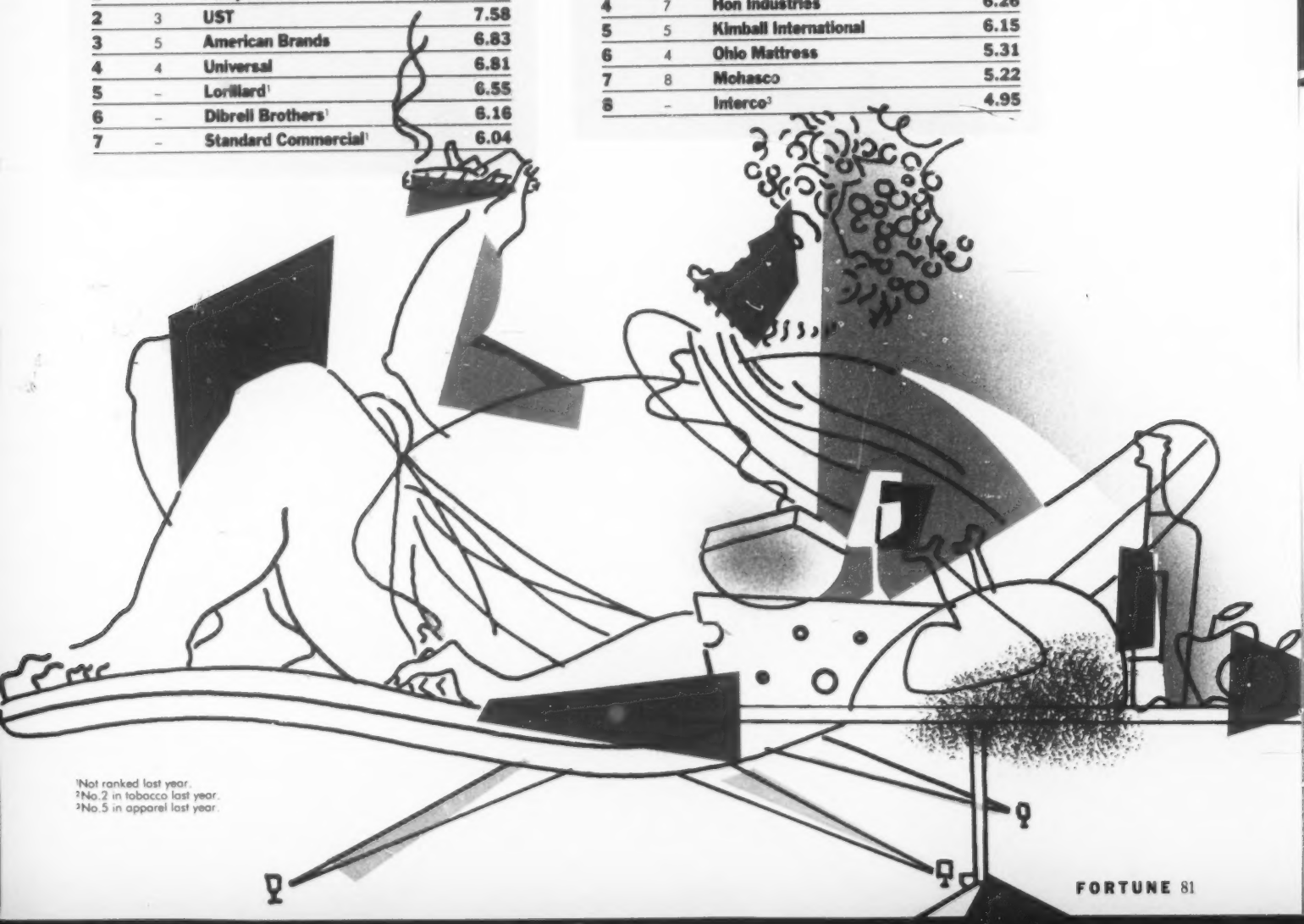
Pepsi clung to first place—barely. Runner-up Coke leads by four measures, including quality of products.

RANK	LAST YEAR	COMPANY	SCORE
1	1	PepsiCo	8.16
2	2	Coca-Cola	8.15
3	3	Anheuser-Busch	7.96
4	8	Brown-Forman	6.53
5	5	Joseph E. Seagram & Sons	6.51
6	4	Coca-Cola Enterprises	6.31
7	7	Adolph Coors	6.16
8	–	Dr Pepper/Seven-Up[1]	5.69

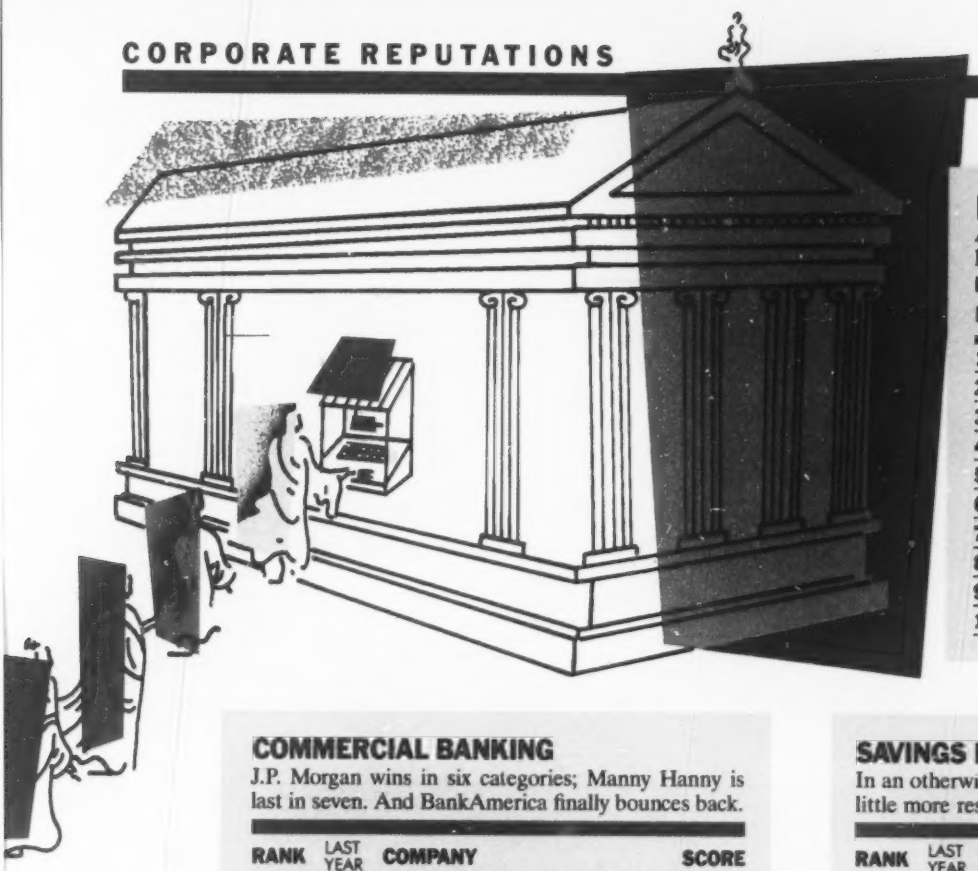
FURNITURE

Herman Miller fell out of the top ten. But in an industry marked by wobbly profits, it scored highest.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Herman Miller	7.40
2	2	Masco	6.88
3	3	Leggett & Platt	6.73
4	7	Hon Industries	6.26
5	5	Kimball International	6.15
6	4	Ohio Mattress	5.31
7	8	Mohasco	5.22
8	–	Interco[3]	4.95



[1]Not ranked last year.
[2]No.2 in tobacco last year.
[3]No.5 in apparel last year.



DIVERSIFIED FINANCIAL

American Express is first for the fourth year. AIG, helped by strong foreign earnings, moves up a notch.

RANK	LAST YEAR	COMPANY	SCORE
1	1	American Express	7.42
2	3	American International Group	7.30
3	2	Morgan Stanley Group	7.21
4	4	Federal National Mortgage Assoc.	6.40
5	7	Aetna Life & Casualty	6.19
6	8	Merrill Lynch	6.15
7	6	Salomon	6.07
8	–	ITT[3]	6.05
9	9	Cigna	5.82
10	10	Travelers Corp.	5.69

COMMERCIAL BANKING

J.P. Morgan wins in six categories; Manny Hanny is last in seven. And BankAmerica finally bounces back.

RANK	LAST YEAR	COMPANY	SCORE
1	1	J.P. Morgan	7.54
2	2	Citicorp	7.22
3	3	Bankers Trust New York	7.04
4	4	Security Pacific	6.79
5	–	Bank of New York[1]	5.95
6	7	Chase Manhattan	5.60
7	10	BankAmerica	5.46
8	8	Chemical Banking	5.34
9	6	First Interstate Bancorp	4.98
10	9	Manufacturers Hanover	4.55

SAVINGS INSTITUTIONS

In an otherwise devastated industry, the top two get a little more respect. They both scored higher this year.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Great Western Financial	7.60
2	2	H.F. Ahmanson	7.28
3	–	Golden West Financial[1]	7.24
4	3	Homefed[4]	7.03
5	4	Glenfed	5.32
6	5	Calfed	5.30
7	6	Great American Bank[5]	5.23
8	–	Crossland Savings[1]	4.88
9	8	Meritor Financial Group	3.61
10	9	Gibraltar Financial	2.24

DIVERSIFIED SERVICE

AT&T, a newcomer to this list, goes the long distance and reaches No. 1. It ranks first in four attributes.

RANK	LAST YEAR	COMPANY	SCORE
1	–	American Telephone & Telegraph[2]	7.30
2	–	MCI[1]	7.04
3	–	United Telecommunications[1]	6.52
4	3	McKesson	6.33
5	5	Super Valu Stores	6.31
6	–	Halliburton[1]	6.09
7	9	Fluor	5.92
8	7	Fleming Companies	5.87
9	4	Ryder System	5.69
10	–	American Financial[1]	5.63

LIFE INSURANCE

Northwestern Mutual, which ranks No. 38 overall this year, has led the industry in every survey since 1983.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Northwestern Mutual Life	7.30
2	2	Prudential of America	6.94
3	4	Metropolitan Life	6.31
4	5	New York Life	6.19
5	3	Aetna Life	6.05
6	5	Teachers Insurance & Annuity	6.04
7	7	Connecticut General Life	5.86
8	8	John Hancock Mutual Life	5.81
9	9	Travelers	5.24
10	10	Equitable Life Assurance	5.16

[1]Not ranked last year.
[2]No. 4 in Electronics last year.
[3]No. 10 in electronics last year.
[4]Name changed from Home Federal Savings & Loan Association.
[5]Name changed from Great American First Savings Bank.

ELECTRONICS

General Electric moves from 40th to 20th place overall. Motorola ousts Emerson from the No. 2 spot.

RANK	LAST YEAR	COMPANY	SCORE
1	1	General Electric	7.62
2	3	Motorola	7.24
3	2	Emerson Electric	7.08
4	8	Westinghouse	6.56
5	5	Texas Instruments	6.55
6	6	Raytheon	6.40
7	–	Whirlpool[1]	6.32
8	7	TRW	6.28
9	–	North American Philips[1]	6.04
10	9	Honeywell	5.65

SCIENTIFIC AND PHOTOGRAPHIC EQUIPMENT

3M, the industry leader for seven years in a row, is making its fifth appearance among the top ten.

RANK	LAST YEAR	COMPANY	SCORE
1	1	3M	8.21
2	3	Xerox	6.58
3	2	Eastman Kodak	6.49
4	–	Baxter International[2]	6.43
5	5	Becton Dickinson	6.42
6	6	Polaroid	6.02
7	7	Perkin-Elmer	5.95
8	8	Tektronix	5.66
9	–	Litton Industries[1]	5.56
10	–	Henley Group[1]	5.36

COMPUTERS (includes office equipment)

Hewlett-Packard scores highest for five attributes but trails IBM in financial soundness and responsibility.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Hewlett-Packard	7.62
2	3	IBM	7.26
3	2	Apple Computer	7.16
4	4	Digital Equipment	6.70
5	5	NCR	6.11
6	7	Pitney Bowes	5.74
7	–	Zenith Electronics[1]	4.82
8	8	Unisys	4.18
9	10	Control Data	3.59
10	9	Wang Laboratories	3.08

PUBLISHING, PRINTING

Berkshire—in this class because it owns *World Book* and Buffalo *News*—wins top honors by four traits.

RANK	LAST YEAR	COMPANY	SCORE
1	–	Berkshire Hathaway[1]	7.70
2	1	Dow Jones	7.34
3	3	New York Times	7.15
4	4	Gannett	7.13
5	7	R.R. Donnelley & Sons	6.94
6	5	Tribune	6.80
7	7	Times Mirror	6.72
8	9	Knight-Ridder	6.61
9	6	Time Warner[3]	6.36
10	10	McGraw-Hill	5.97

[1]Not ranked last year.
[2]No. 9 in pharmaceuticals last year.
[3]Name changed from Time Inc. upon acquisition of Warner Communications.

TRANSPORTATION EQUIPMENT

Trinity makes boxcars for railroads. It leads by four measures. Runner-up Fleetwood wins two.

RANK	LAST YEAR	COMPANY	SCORE
1	–	Trinity Industries[1]	6.93
2	2	Fleetwood Enterprises	6.89
3	–	Outboard Marine[1]	6.62
4	–	Brunswick[2]	6.49
5	–	Avondale Industries[1]	6.37
6	3	Minstar	5.95

TRANSPORTATION

United Parcel Service always delivers: It raced to the head of this pack in 1984 and has stayed there since.

RANK	LAST YEAR	COMPANY	SCORE
1	1	United Parcel Service	7.56
2	2	AMR	7.16
3	3	Delta Air Lines	6.89
4	4	Union Pacific	6.30
5	–	USAir Group[1]	6.13
6	5	Burlington Northern	6.04
7	6	UAL	5.73
8	7	CSX	5.47
9	9	Santa Fe Pacific[3]	5.08
10	10	Texas Air	3.72

AEROSPACE

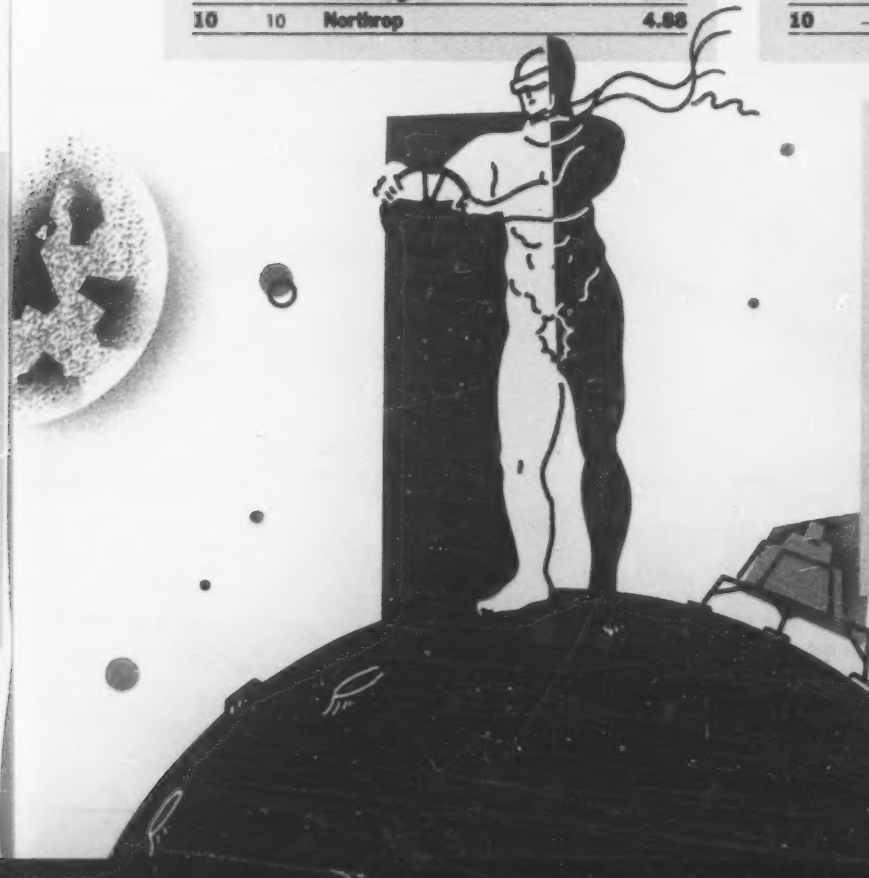
Boeing still rules the skies. But soaring jet-engine sales lifted United Technologies from No. 7 to No. 3.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Boeing	7.92
2	2	Martin Marietta	7.27
3	7	United Technologies	6.54
4	6	General Dynamics	6.47
5	3	Rockwell International	6.44
6	4	Lockheed	6.27
7	5	McDonnell Douglas	5.82
8	8	Textron	5.77
9	9	Allied-Signal	5.76
10	10	Northrop	4.88

INDUSTRIAL AND FARM EQUIPMENT

Strong farm equipment sales helped to push Deere past Caterpillar in this industry's pecking order.

RANK	LAST YEAR	COMPANY	SCORE
1	2	Deere	7.30
2	1	Caterpillar	7.25
3	3	Black & Decker	6.87
4	–	Parker-Hannifin[1]	6.66
5	–	Dover[1]	6.62
6	5	Ingersoll-Rand	6.60
7	4	Cummins Engine	6.47
8	7	Dresser Industries	6.31
9	9	Baker Hughes	6.18
10	–	Tenneco[4]	5.84



MOTOR VEHICLES AND PARTS

Nobody is anywhere near Ford's bumper. America's most profitable carmaker was tops by every measure.

RANK	LAST YEAR	COMPANY	SCORE
1	1	Ford Motor	7.69
2	–	Eaton[1]	6.80
3	2	Dana	6.66
4	3	Paccar	6.60
5	7	General Motors	6.08
6	4	Chrysler	5.84
7	–	Borg-Warner[1]	5.58
8	8	Navistar International	5.03
9	9	Mack Trucks	4.49
10	10	K-H Corp.[5,6]	4.05

[1]Not ranked last year.
[2]No. 6 in industrial and farm equipment last year.
[3]Name changed from Santa Fe Southern Pacific.
[4]No. 9 in petroleum refining last year.
[5]Name changed from Fruehauf.
[6]Acquired by Varity Corp.

THE BEST AND WORST STOCKS OF 1989

There were plenty of reasons to sit on the sidelines last year, but you would have done best by ignoring them all and taking a giant leap into the stock market. ■ *by Karen Nickel*

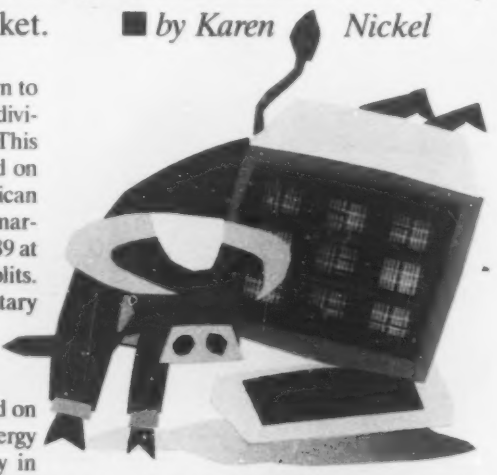
DESPITE BEARISH economic forecasts, a mini–market crash in October, and a crisis in the savings & loan business, investors had a wonderful year in 1989. The Dow Jones Industrial Average bounded ahead 27%. Investors who picked wisely did much, much better.

Compiled jointly by Wright Investors' Service and Wilshire Associates, our performance rankings are based on total return to investors, which includes reinvested dividends as well as price appreciation. This year's list separately ranks issues traded on the New York Stock Exchange, American Stock Exchange, and over-the-counter markets. Included are stocks that started 1989 at $5 or more per share, adjusted for splits. Partnership units, American Depositary Receipts, and closed-end funds are excluded (for an examination of foreign stock markets, see next story).

The highest total return ever recorded on our lists was posted this past year by Energy Ventures, a small oil and gas company in Houston that turned into a gusher, returning 559%. It was one of many top performers benefiting from higher oil and gas prices.

Another big boost to stocks came from the ongoing trend toward corporate restructuring. Takeovers, however, were on the wane as a driving force behind stocks. Though acquisitions and leveraged buyouts helped propel stocks during the year's first half, the October market drop scuttled some deals and cooled investor interest in others.

As with all stocks that rise sharply, an inevitable question arises over when to sell. That time may have already passed for investors in L.A. Gear, the best-performing stock on the New York Stock Exchange last year, with a 185% return. Made a star by the fickle winds of footwear fashion, the company has recently fallen from favor. The stock is down 33% from its November highs. Reports of selling by insiders, a Justice Department investigation of alleged underpayment of customs duties (which the company denies), and the departure of the chief financial officer in late 1989 suggest more rough weather ahead. Not all highfliers run into problems. Just the same, it's worth remembering the steeper a stock climbs, the farther it may fall.



NEW YORK STOCK EXCHANGE
THE 10 WORST

		STOCK PRICE 12/31 1988	1989	DIVIDENDS PER SHARE	TOTAL RETURN TO INVESTORS	COMMENTS
1	**Integrated Resources** (financial services)	$13.88	$0.19	–	-99%	Defaulted on debt last summer
2	**Lomas Financial** (financial services)	$12.62	$1.00	$0.53	-92%	Entered Chapter 11 in September
3	**Bay Financial** (real-estate development)	$11.62	$1.00	–	-91%	Rapidly deteriorating property markets
4	**Imperial Corp. of Amer.** (savings & loan)	$9.12	$0.94	–	-90%	Junk-bond losses, problem loans
5	**Home Owners Savings Bank** (S&L)	$8.38	$1.12	–	-87%	Stung by new federal capital requirements
6	**Crossland Savings** (savings & loan)	$17.38	$3.38	$0.80	-79%	Rising loan losses; new capital requirements
7	**Rexene** (petrochemicals)	$22.00	$3.50	$7.80	-75%	Lower sales; suspended dividend
8	**National Education** (educational services)	$23.25	$6.88	–	-70%	Sharp revenue decline
9	**Circle K** (retailing)	$11.38	$3.38	$0.14	-70%	Company decided not to put itself up for sale
10	**MAI Basic Four** (computer systems)	$8.50	$2.88	–	-66%	Costly attempt to take over Prime Computer

ILLUSTRATIONS BY RICHARD OSAKA

NEW YORK STOCK EXCHANGE
THE 50 BEST

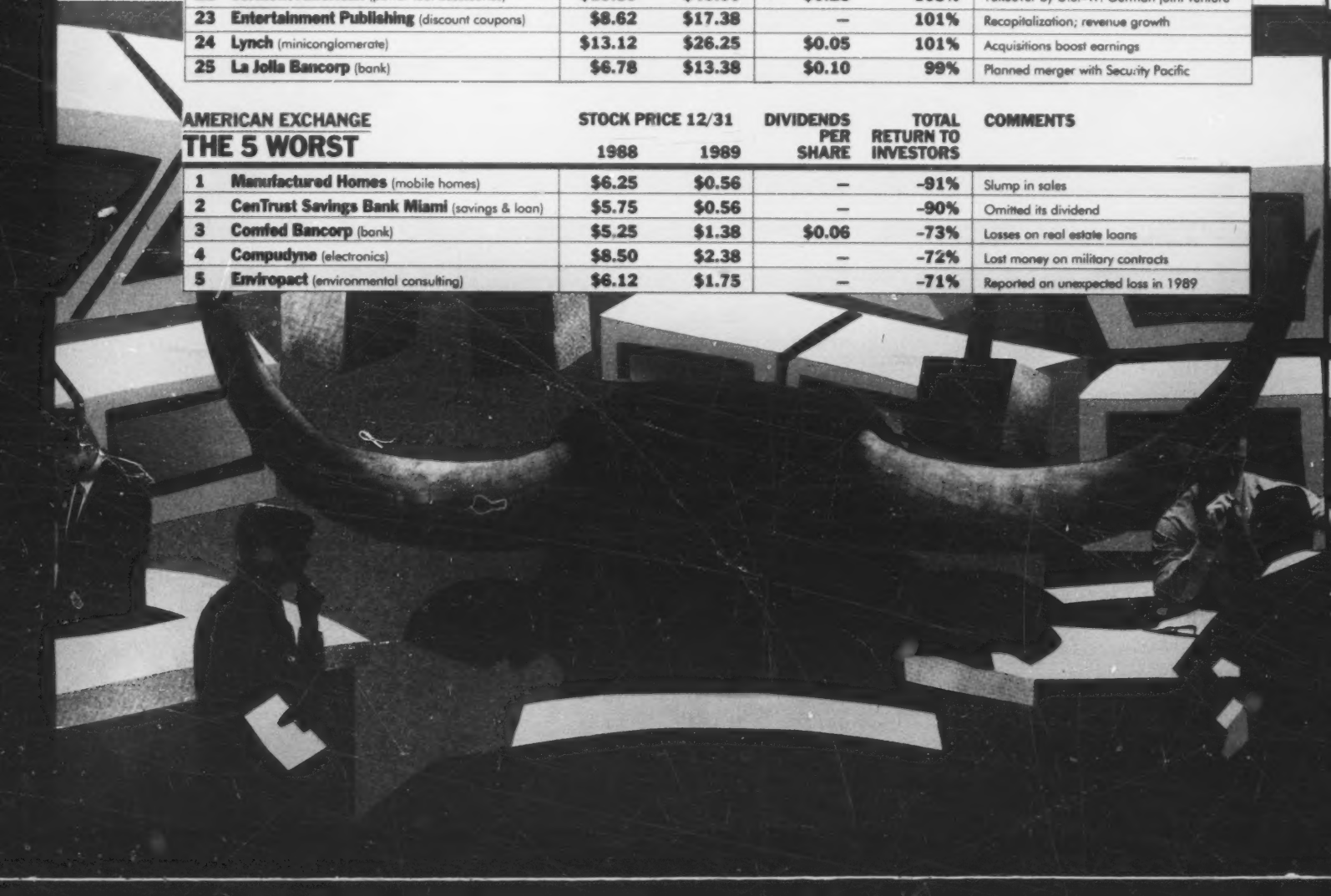
		STOCK PRICE 12/31		DIVIDENDS PER SHARE	TOTAL RETURN TO INVESTORS	COMMENTS
		1988	1989			
1	**L.A. Gear** (footwear)	$10.94	$31.12	–	185%	A jump in high-style sneaker sales
2	**Mylan Labs** (pharmaceuticals)	$8.88	$24.25	$0.10	176%	New drug for Parkinson's disease
3	**Shaw Industries** (carpet manufacturer)	$11.75	$31.00	$0.40	169%	Market-share leader; low-cost producer
4	**Holiday** (hotels, gaming)	$27.00	$71.75	–	166%	Sold Holiday Inns to Bass PLC (Britain)
5	**Conseco** (insurance)	$11.12	$26.88	$0.20	145%	Successful acquisitions of life companies
6	**Enterra** (oil, gas)	$6.00	$14.38	–	140%	Industry upswing
7	**Apache** (oil, gas)	$7.88	$18.38	$0.28	139%	Industry upswing
8	**Crawford & Co.** (insurance adjuster)	$14.83	$33.75	$0.51	133%	High incidence of catastrophes
9	**Sea Containers Ltd.** (transportation)	$30.12	$68.00	$0.60	129%	Takeover target
10	**WorldCorp** (air transportation)	$5.88	$13.25	–	126%	Recapitalization
11	**Stride Rite** (footwear)	$13.38	$28.88	$0.35	119%	Market leader; takeover speculation
12	**Adobe Resources** (oil, gas)	$6.75	$14.62	–	117%	Rising gas prices
13	**Craig** (supermarkets)	$8.25	$17.75	–	115%	Rapid earnings growth
14	**Mattel** (toys)	$9.50	$19.75	–	108%	Revitalized popular toys
15	**Charles Schwab** (discount broker)	$6.75	$13.88	$0.09	107%	Rising brokerage commissions
16	**Crompton & Knowles** (chemicals)	$15.31	$30.75	$0.58	106%	Sales of dyes up sharply
17	**Lydall** (fiber manufacturer)	$15.25	$31.38	–	106%	Restructuring
18	**Tyler** (diversified manufacturer)	$6.38	$8.62	$4.91	106%	Restructuring
19	**Edison Brothers Stores** (retailing)	$32.25	$63.50	$1.80	105%	Restructuring
20	**Federal National Mortgage Assoc.** (financial)	$16.92	$33.88	$0.43	103%	Beneficiary of S&L bailout bill
21	**Centel** (telecommunications)	$33.50	$64.50	$2.24	100%	Increase in cellular phone subscribers
22	**Kemper** (financial services)	$24.00	$47.00	$0.81	100%	Restructuring
23	**Rowan** (oil, gas)	$5.75	$111.25	–	96%	Rising oil prices
24	**Avon Products** (cosmetics, health)	$19.50	$36.88	$1.00	95%	Takeover speculation
25	**On-Line Software International** (software)	$5.00	$9.75	–	95%	Successful new sales campaign
26	**Tidewater** (oil services)	$7.38	$14.38	–	95%	Industry upswing
27	**Flightsafety International** (pilot training)	$24.75	$47.88	$0.17	94%	Strong demand for services
28	**American Barrick Resources** (gold)	$16.38	$31.63	$0.13	94%	Increased production; rising gold prices
29	**Franklin Resources** (financial services)	$22.50	$42.88	$0.44	93%	Growing asset base
30	**Circus Circus Enterprises** (hotel, gaming)	$29.12	$56.00	–	92%	A new gaming resort in Las Vegas
31	**Mark IV Industries** (industrial products)	$7.33	$14.00	–	91%	Acquisitions; debt reduction
32	**Campbell Soup** (food)	$31.50	$58.62	$0.92	90%	Takeover speculation
33	**Torchmark** (financial services)	$30.50	$55.75	$1.25	89%	Restructuring
34	**Wellman** (fibers, resins)	$18.75	$35.12	$0.12	88%	Low-cost producer; strong sales
35	**Hancock Fabrics** (fabric retailing)	$18.50	$34.00	$0.46	87%	Strong sales growth
36	**UniFirst** (uniform rentals)	$12.88	$23.88	$0.10	87%	Cost reduction; improved demand
37	**Baker Hughes** (oil service)	$14.00	$25.50	$0.46	87%	Industry upswing
38	**Banner Industries "A"** (diversified)	$8.19	$15.12	–	85%	Bought Fairchild Industries
39	**Berkshire Hathaway** (diversified)	$4,700	$8,675	–	85%	Huge gain in net worth
40	**National Medical Enterprises** (rehab centers)	$21.50	$38.75	$0.70	84%	More patients using its services
41	**Healthsouth Rehabilitation** (rehab centers)	$9.38	$17.25	–	84%	Strong earnings growth; acquisitions
42	**Daniel Industries** (meter manufacturer)	$8.62	$15.62	$0.18	84%	Rising demand for gas meters
43	**Southwestern Energy** (oil, gas)	$18.00	$32.25	$0.56	83%	Increased production; industry upswing
44	**Associated Natural Gas** (gas)	$11.25	$20.62	–	83%	Rising gas prices
45	**Lewis Galoob Toys** (toys)	$6.50	$11.88	–	83%	Expanded product line; strong sales
46	**AVX** (electronics)	$17.00	$30.62	$0.24	83%	Acquisition by Japan's Kyocera
47	**Scientific-Atlanta** (cable and satellite equipment)	$13.12	$23.75	$0.14	82%	Growth in cable TV business
48	**UNUM** (financial services)	$27.00	$48.00	$0.57	81%	Recent acquisitions; strong earnings
49	**Humana** (hospital)	$25.38	$44.00	$0.98	79%	Rising admissions
50	**NACCO Industries** (diversified manufacturer)	$31.50	$55.50	$0.58	78%	Bought a leading forklift maker

AMERICAN EXCHANGE
THE 25 BEST

		STOCK PRICE 12/31		DIVIDENDS PER SHARE	TOTAL RETURN TO INVESTORS	COMMENTS
		1988	1989			
1	**Central Pacific Corp** (bank)	$7.50	$26.88	$0.01	258%	Merger with Wells Fargo
2	**Graham** (machinery, equipment)	$7.12	$24.50	$0.10	245%	Restructuring
3	**Keane** (software consulting)	$6.75	$21.50	–	219%	Successful acquisition strategy
4	**Turner Broadcasting "A"** (cable-TV programs)	$16.88	$51.00	–	202%	Earnings turnaround
5	**Old Spaghetti Warehouse** (restaurants)	$6.00	$17.88	–	198%	Earnings turnaround
6	**Stevens Graphics "A"** (equipment manufacturer)	$7.00	$18.25	–	161%	Strong sales and earnings growth
7	**Leo's Industries** (electronics retailer)	$5.06	$13.00	–	157%	Success in cellular-phone sales
8	**Oneita Industries** (apparel)	$5.00	$12.25	–	145%	Increased market share
9	**Sotheby's Holdings** (auction house)	$10.06	$23.50	$0.61	144%	Booming art market
10	**Imperial Holly** (sugar refiner and processor)	$11.67	$27.50	$0.42	141%	Rising sugar prices
11	**American Fructose "A"** (food)	$9.50	$22.75	$0.06	140%	Price increases took hold
12	**Barnwell Industries** (oil, water, real estate)	$14.62	$34.62	$0.25	139%	Valuable Hawaiian land holdings
13	**Fruit of the Loom** (apparel)	$6.38	$14.88	–	133%	Rising sales of active wear
14	**Pacific Western Bancshares** (bank)	$5.38	$11.75	$0.15	123%	Earnings turnaround; acquisition
15	**Michael Baker** (engineering)	$8.12	$17.50	–	115%	Beneficiary of national infrastructure renewal
16	**FirstFed America** (savings and loan)	$15.50	$33.25	–	115%	Being taken over by Bancorp Hawaii
17	**Sierracin** (aerospace products)	$6.50	$13.88	–	113%	An LBO in progress
18	**Nichols Institute** (medical diagnostic testing)	$5.89	$12.50	–	112%	Strong demand for lab tests
19	**Cash America Investments** (pawnshops)	$10.88	$22.62	$0.12	110%	Investor play on recession fears
20	**CVB Financial** (bank)	$10.80	$22.38	–	107%	A hot California bank
21	**Selas Corp of America** (capital goods)	$8.25	$17.00	–	106%	Higher sales to steel industry
22	**Vermont American** (power-tool accessories)	$19.89	$40.00	$0.28	103%	Takeover by U.S.-W. German joint venture
23	**Entertainment Publishing** (discount coupons)	$8.62	$17.38	–	101%	Recapitalization; revenue growth
24	**Lynch** (miniconglomerate)	$13.12	$26.25	$0.05	101%	Acquisitions boost earnings
25	**La Jolla Bancorp** (bank)	$6.78	$13.38	$0.10	99%	Planned merger with Security Pacific

AMERICAN EXCHANGE
THE 5 WORST

		STOCK PRICE 12/31		DIVIDENDS PER SHARE	TOTAL RETURN TO INVESTORS	COMMENTS
		1988	1989			
1	**Manufactured Homes** (mobile homes)	$6.25	$0.56	–	-91%	Slump in sales
2	**CenTrust Savings Bank Miami** (savings & loan)	$5.75	$0.56	–	-90%	Omitted its dividend
3	**Comfed Bancorp** (bank)	$5.25	$1.38	$0.06	-73%	Losses on real estate loans
4	**Compudyne** (electronics)	$8.50	$2.38	–	-72%	Lost money on military contracts
5	**Enviropact** (environmental consulting)	$6.12	$1.75	–	-71%	Reported an unexpected loss in 1989

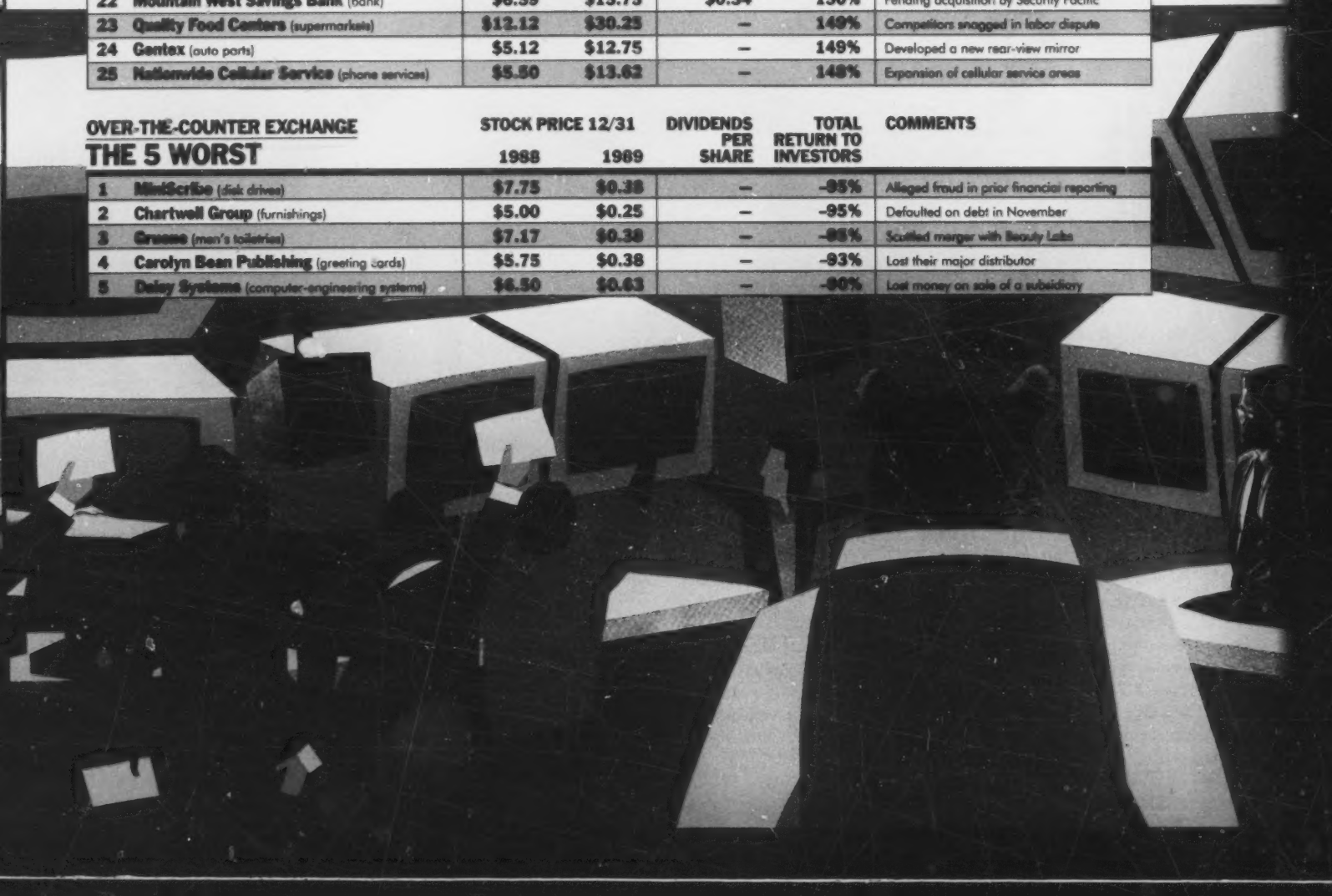


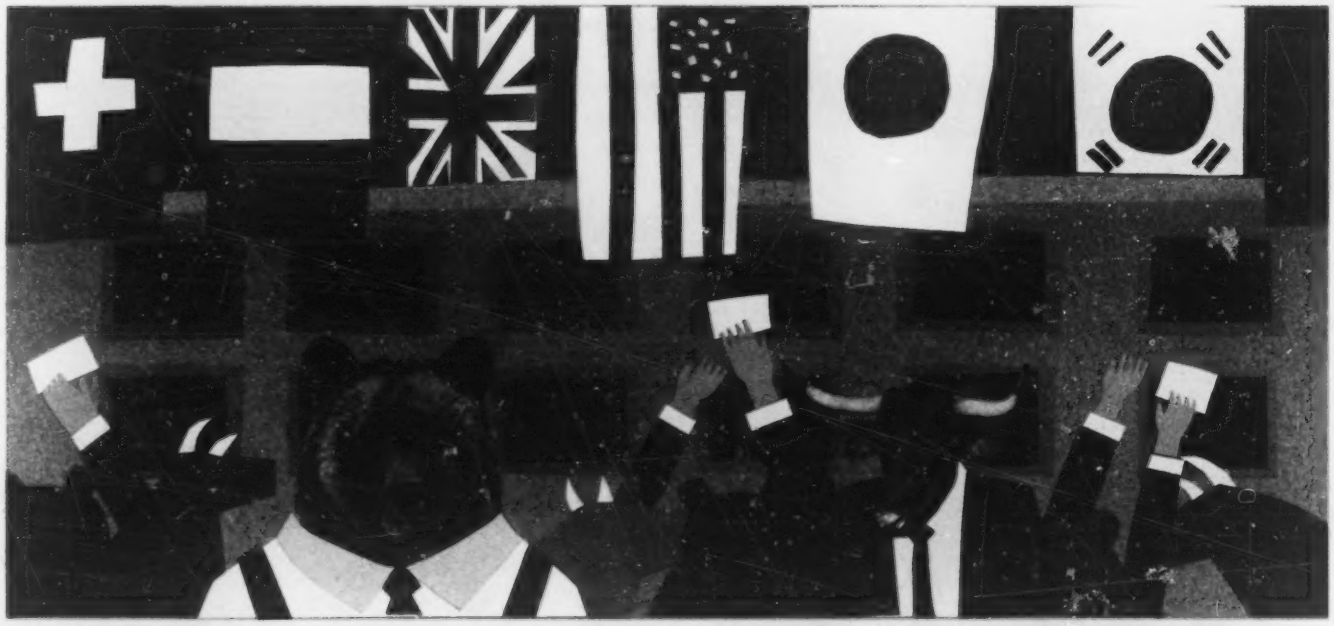
OVER-THE-COUNTER EXCHANGE
THE 25 BEST

		STOCK PRICE 12/31		DIVIDENDS PER SHARE	TOTAL RETURN TO INVESTORS	COMMENTS
		1988	1989			
1	**Energy Ventures** (oil, gas)	$8.00	$52.75	–	559%	Industry upswing: new gas wells
2	**Pacificare Health Systems** (health services)	$6.12	$25.50	–	316%	A fast growing HMO
3	**Vivigen** (medical diagnostic tests)	$6.00	$22.00	–	267%	Strong demand for prenatal tests
4	**Intercontinental Life** (insurance)	$9.50	$33.75	–	255%	Successful acquisitions
5	**SciMed Life Systems** (surgical devices)	$7.06	$24.50	–	247%	New products are well received
6	**FHP International** (health services)	$6.06	$20.75	–	242%	A fast growing HMO
7	**NovaCare** (health services)	$5.12	$16.50	–	222%	Strong earnings growth
8	**Production Operators** (oil services)	$5.38	$16.88	$0.16	220%	Oil industry upswing
9	**Savannah Foods & Industries** (sugar)	$18.38	$55.00	$0.59	204%	Rising sugar prices
10	**Software Toolworks** (software)	$5.00	$14.88	–	198%	Fast selling new computer programs
11	**Petroleum Helicopters** (oil services)	$9.12	$26.75	$0.08	195%	Improved prospects for drilling activity
12	**Diagnostek** (medical services)	$5.62	$15.25	–	171%	Winning idea: a mail-order pharmacy
13	**Millicom** (telecommunications)	$8.38	$22.25	–	166%	A rapidly growing cellular phone business
14	**3-D Systems** (machinery manufacturer)	$5.84	$15.38	–	163%	Reported first profits in 1989
15	**Surgical Care Affiliates** (outpatient health care)	$7.33	$19.25	$0.02	163%	New mini-hospitals are a hit
16	**Imagine Films Entertainment** (movie studio)	$5.75	$15.00	–	161%	Successful films, including *Parenthood*
17	**DH Technology** (electronics)	$5.62	$14.62	–	160%	Market share and earnings growth
18	**Occupational-Urgent Care** (cost containment)	$7.12	$18.38	–	158%	More companies trying to lower health costs
19	**Northwestern States Portland Cement**	$8.25	$21.25	–	158%	A pending takeover by Dundee Cement
20	**Gulf Applied Technologies** (oil, gas)	$6.00	$15.25	–	154%	Owns 27% of Energy Ventures (see No. 1)
21	**InterVoice** (telephone services)	$10.62	$26.62	–	151%	Growth of interactive phone services
22	**Mountain West Savings Bank** (bank)	$6.59	$15.75	$0.34	150%	Pending acquisition by Security Pacific
23	**Quality Food Centers** (supermarkets)	$12.12	$30.25	–	149%	Competitors snagged in labor dispute
24	**Gentex** (auto parts)	$5.12	$12.75	–	149%	Developed a new rear-view mirror
25	**Nationwide Cellular Service** (phone services)	$5.50	$13.62	–	148%	Expansion of cellular service areas

OVER-THE-COUNTER EXCHANGE
THE 5 WORST

		STOCK PRICE 12/31		DIVIDENDS PER SHARE	TOTAL RETURN TO INVESTORS	COMMENTS
		1988	1989			
1	**MiniScribe** (disk drives)	$7.75	$0.38	–	-95%	Alleged fraud in prior financial reporting
2	**Chartwell Group** (furnishings)	$5.00	$0.25	–	-95%	Defaulted on debt in November
3	**Greune** (men's toiletries)	$7.17	$0.38	–	-95%	Scuttled merger with Beauty Labs
4	**Carolyn Bean Publishing** (greeting cards)	$5.75	$0.38	–	-93%	Lost their major distributor
5	**Daisy Systems** (computer-engineering systems)	$6.50	$0.63	–	-90%	Lost money on sale of a subsidiary





A BANNER YEAR FOR THE WORLD'S MARKETS

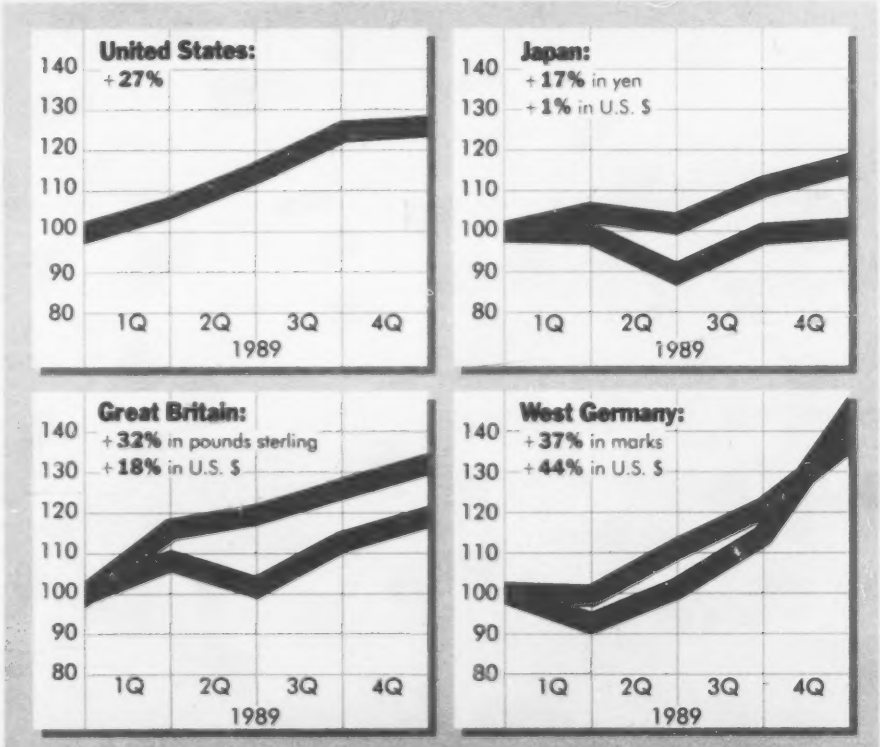
The bull went globe-trotting in 1989. Spurred by another year of economic growth and financial liberalization, the world's stock markets rose 22% on average, an unusually good run by any measure.

Of course, a few market gains were illusory, such as Argentina's staggering 18,000% rise, a byproduct of hyperinflation. But most markets were on surer ground, and analysts see opportunities for further gains in 1990.

Mexico's market led the way with a 112% jump. That's no fluke. Business people and investors were surprised by the strength of Mexico's economic recovery. Many expect more good news after renegotiation of the country's $50 billion external debt.

Austria delivered Europe's winning performance, with a 92% rise in its stock index. Largely because of investor excitement over the prospects for rebuilding Eastern Europe, four of the five best-performing stocks in the world are Austrian construction companies. West Germany's market has also drawn investor attention, rising 22% since the Berlin Wall opened in November.

Exchange rate fluctuations accounted for gaps between local currency and the dollar-converted performance of some markets. A weaker yen turned Japan's 17% advance into a 1% gain for U.S. investors. Conversely, a climbing Taiwan dollar provided an extra dollop of profits for Americans. F



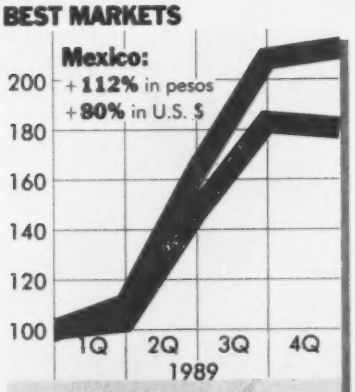
THE BIGGEST MARKETS WERE ALSO SOME OF THE BEST

The opening of the Eastern bloc propelled West German stocks to a 37% rise, beating other major markets. Takeover fever pushed British shares to new heights, while the U.S. market overcame recession jitters to post a 27% gain. Japan's bull showed no signs of tiring, up 17%.

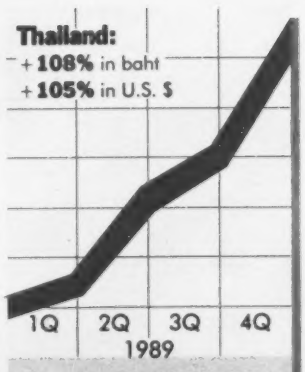
Index: 4th qtr. 1988 = 100

SOURCE: MORGAN STANLEY CAPITAL INTERNATIONAL

BEST MARKETS

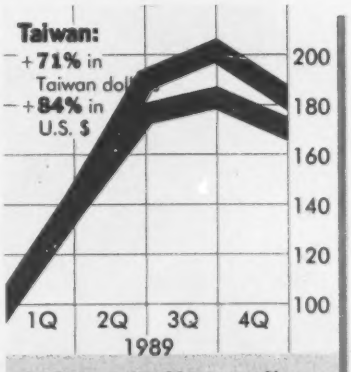


Debt renegotiation and rising oil prices fueled a doubling of Mexico's bourse. Best route in for individuals is the Mexico Fund.

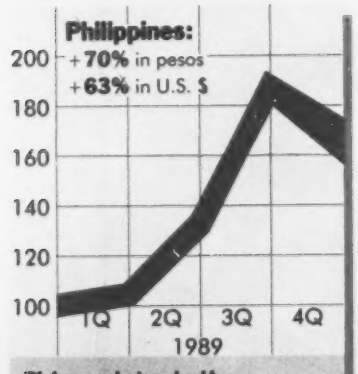


Though long undervalued, this market's steep rise worries analysts. The Thai Fund trades on the NYSE.

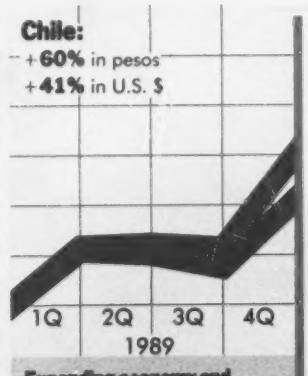
A beneficiary of improved East-West trade. Analysts remain bullish. The Austria Fund is listed on the NYSE.



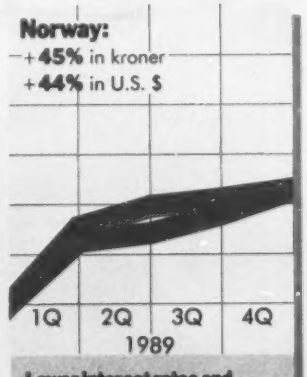
A roller-coaster ride powered by rampant speculation. Analysts advise caution. For danger seekers, there's the Taiwan Fund.



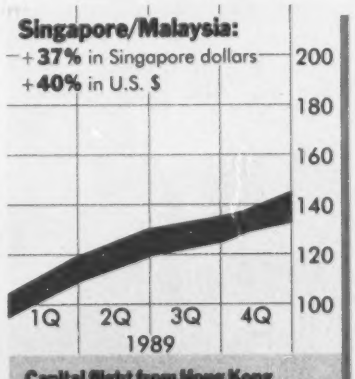
Rising market rocked by attempted coup. Political risks remain high. The First Philippine Fund just listed on the NYSE.



Expanding economy and move to democracy buoyed market's prospects. The only way in: the Chile Fund.



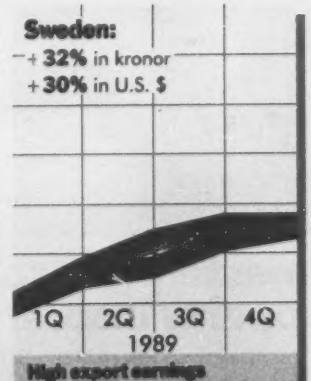
Lower interest rates and higher oil prices lifted the market. No mutual fund, but ADRs are available.



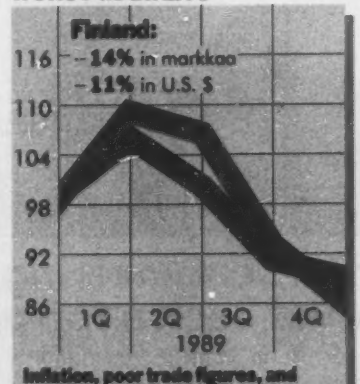
Capital flight from Hong Kong found its way to Singapore/ Malaysia, boosting stock prices. The Malaysia Fund is on the NYSE.

WORST MARKETS

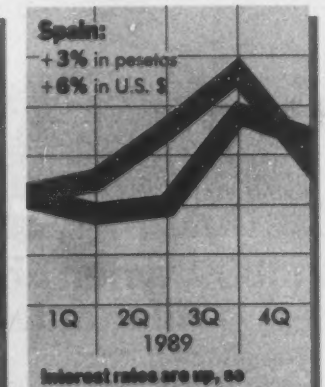
Merger activity and lots of spare cash drove Danish stocks higher, but bulls remain scarce. No mutual fund, but ADRs exist.



High export earnings helped lift stocks. Analysts are cautious. Many ADRs trade on U.S. exchanges.



Inflation, poor trade figures, and a glut of new stock issues felled the Finnish market. There's no mutual fund for Finnish stocks.



Interest rates are up, so market was sagged. The Spain Fund offers a way in but sells at a stiff premium.

Index: 4th qtr. 1988 = 100

SOURCE: MORGAN STANLEY CAPITAL INTERNATIONAL

WARY HOPE ON EASTERN EUROPE

America's top corporate chiefs think the outbreak of freedom will make the region a promising market. But they worry about whether the changes will endure. ■ *by Mark Alpert*

AMERICAN chief executives, like most of their compatriots, have elatedly watched the spirit of freedom steamroll through Eastern Europe, toppling hard-line Communist regimes as if they were made of matchsticks. After witnessing the astounding events in East Germany, Poland, Czechoslovakia, and Hungary, most CEOs now believe that the 140 million people of Eastern Europe (not counting the Soviets) will eventually join the global economy and become a major new market for U.S. exporters. But along with the widespread optimism, the CEOs have grave concerns: Many wonder whether the new non-Communist leaders of Eastern Europe will be able to retain power as their people face the inevitable hardships that will precede the benefits of free markets. Several CEOs question whether those leaders have the managerial skills they will need. Others fear that the Iron Curtain will come crashing back down.

"The bear hasn't been totally defanged."

KIRK THOMPSON
J.B. Hunt Transport

These views come to light in the latest FORTUNE 500 CEO Poll. The opinion research firm of Clark Martire & Bartolomeo interviewed 205 CEOs of FORTUNE 500 and Service 500 companies between December 5 and December 13. During that week a government with a non-Communist majority took over in Czechoslovakia, and the East German government agreed to hold free elections in the spring.

Two-thirds of the CEOs interviewed believe Eastern Europe will emerge as a major new market within the next 20 years. The chief executives say East Germany has the greatest economic potential—half of them ranked it as the most promising Eastern European country for U.S. companies. Next-best bets in order: Hungary, Poland, and Czechoslovakia. Rumania was deemed least promising, though the interviews were conducted two weeks before Rumanian dictator Nicolae Ceausescu was deposed and executed. The chiefs considered Albania and Bulgaria scarcely better. CEOs whose companies are involved in international trade—73% of those interviewed—are also determined to improve their ties with the Soviet Union. Two-thirds say they expect to do more business with the U.S.S.R. in the next two years.

Q A **Which countries in Eastern Europe do you consider most and least promising as places for U.S. companies to do business?**

	Most promising	Least promising
East Germany	50%	*
Hungary	22%	3%
Poland	16%	4%
Czechoslovakia	7%	4%
Yugoslavia	–	3%
Bulgaria	–	20%
Albania	–	23%
Rumania	–	36%

*Less than 0.5%.

Q A **Do you see Eastern Europe as a major new market comparable in importance to Western Europe within 20 years?**

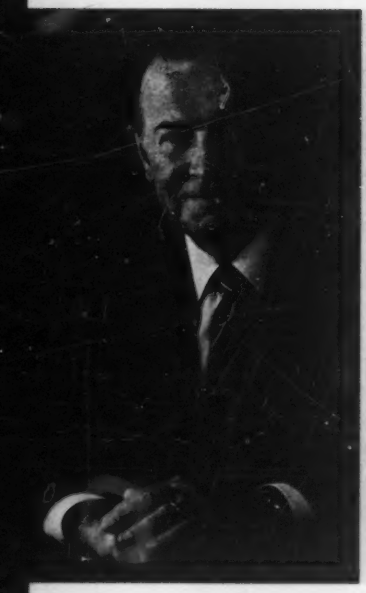
Yes	67%
No	29%
Not sure	4%

"Unification of Germany could lead to the rise of another unfriendly nation."

JOSEPH D. WILLIAMS
Warner-Lambert

Although CEOs are generally hopeful about Eastern Europe's long-term prospects, business people like stability, and they don't see it there yet. "The risk is that the management structure of countries could deteriorate, creating economic chaos," says David Swanson, chief executive officer of Central Soya, the grain exporter and food processor. "If that results, who knows what crazies could arrive on the scene?" Alexander Giacco of plastics manufacturer Himont cites another obstacle to doing business in Eastern Europe: "I'm not sure who's in charge. People running around with no one in charge is what I consider anarchy."

When asked what worries them most about recent events in Eastern Europe, the word used time and again by the CEOs is



"There has been too much change too soon."

WILLIAM O. BOURKE
Reynolds Metals

"backlash." A full one-quarter of the chief executives fear that hard-line Communists will return to power if the reformers try to push change too quickly. Several warn that China's brutal crackdown at Tiananmen Square could be replayed in the streets of Prague or Warsaw. "There has been too much change too soon," says William O. Bourke, CEO of Reynolds Metals. "The hard-liners of the Communist Party could be, and probably are, instinctively trying to protect their turf."

CEOs fear particularly for the political future of Mikhail Gorbachev. Says George P. Mitchell, chief of Mitchell Energy & Development: "We have to do everything we can to help Gorbachev and to help these countries get through. Bush doesn't have to listen to the hawks all the time."

Other chief executives worry that the restive peoples of Eastern Europe will become disenchanted with the new, non-Communist governments if they don't see immediate improvements in economic conditions—and the odds are that they won't. "All of a sudden they'll wake up one morning with no bread on the table and no car to drive," says John B. Smith of Mayflower Group, the moving and storage company. "The fact that freedom hasn't been an instant benefit economically may be very disillusioning." Observes Halliburton's Thomas H. Cruikshank: "The expectations of people can be high, but their patience is sometimes low, and there are no overnight remedies. Economically, things will get worse before they get better."

Some of the chiefs believe Eastern Europe's new leaders, a mixed bag of intellectuals—poets, playwrights, journalists, and dissidents—lack the management skills to guide their countries through the current turmoil. Vincent A. Sarni, chief of PPG Industries, worries about "a completely new leadership who have no experience in leading." Says Howard C. Humphrey of Franklin Life Insurance: "It will take them some time to gain the governing experience."

Q A **Do you think the U.S. should be spending less on defense by the beginning of 1993?**

Yes	93%
No	7%

Q A **If yes, by how much do you think the annual defense budget should be reduced by 1993?**

Under $30 billion	16%
$30-$60 billion	39%
$60-$90 billion	21%
Over $90 billion	16%
Don't know	8%

CEOs are divided over how much aid—if any—the U.S. should offer the new governments. Some advocate a massive infusion, while others argue fiercely against it. "It's like the end of a war," says Jack W. Corn of Quaker State. "They need a Marshall Plan arrangement. The Western countries must lend a hand to preserve the new freedoms in Eastern Europe." But W. R. Wilson of Lukens, the steelmaker, believes that getting these nations hooked on American economic aid would be the worst thing to do: "Western Europe still has a Marshall Plan mentality. What will we throw away this time?"

Q A **Do you believe your company will conduct more trade with the U.S.S.R., as either a buyer or a seller, in the next two years?**

Yes	68%
No	32%

Nearly all the CEOs—93%—agree that the U.S. should reduce defense spending by the beginning of 1993 to reflect the improvement of relations with the Soviet Union. Of those who advocate defense cuts, 37% say the military's annual budget of $300 billion should be reduced by more than $60 billion. Another 39% say it should be trimmed by $30 billion to $60 billion, while 16% say the reduction in annual expenditures should be less than $30 billion.

For the case against wholesale cuts, listen to Kirk Thompson, CEO of J.B. Hunt Transport Services: "It gives the world a false sense of security to think that Eastern Europe is going to become just another friendly nation like Britain. Although politically and philosophically we're closer now, there's still a distance. The bear hasn't been totally defanged." John Pearson of Northwestern National Life Insurance agrees: "While what's happening is wonderful, we ought to keep our guard up."

A few CEOs worry about the possible reunification of Germany. Warner-Lambert's Joseph D. Williams speaks for them when he says, "My concern, having been in World War II, is that unification of East and West could lead to the rise of another unfriendly nation." Russell Hanlin Sr. of Sunkist Growers figures that, good or bad, such an event isn't imminent: "It's a long way between the first hole in the Berlin Wall and the reunification of the Germanies."

But several CEOs are so thrilled by the changes in Eastern Europe that they overlook the dangers for now. "I can't see how anything but good can come from freedom," says Robert G. Sharp, CEO of Keystone Provident Life Insurance. Tyco Laboratories chief John F. Fort exults, "Things have gone too far to be reversed. The pendulum has swung too far for freedom not to be embraced." F

"The Western countries must lend a hand in Eastern Europe."

JACK W. CORN
Quaker State

Corporate matrimony and the RJR buyout led to new records in the size of mergers—and the matchmakers' fees. Then suddenly the LBO party fizzled. ■ *by Christopher Knowlton*

IN 1989's TOPSY-TURVY marketplace for mergers, weddings came in and leveraged takeovers went out. All year long investment bankers played matchmaker and chaperon, pairing up like-minded corporate giants in related industries. Mammoth deals in pharmaceuticals, media, and food helped set a new record of $144 billion for the combined value of FORTUNE's list of the 50 largest acquisitions, mergers, public offerings, and recapitalizations. Most were friendly or formal. Even so, the year had its share of shotgun marriages, Las Vegas elopements, and occasional caveman courtships, where the company in question was clubbed on the head and dragged away by the hair.

The real news: The bull market in leveraged buyouts is over. The year that brought the hippopotamus of LBOs—Kohlberg Kravis Roberts's $25 billion takeover of RJR Nabisco (No. 1)—also saw the crumbling of the junk bond market, the tottering of the Campeau retail castle, and the rise of recession paranoia. Oh, there were LBOs to write home about—eight in our list of 50. But by midyear junk deals were popping like stink bombs, and at the rehearsal dinner for the UAL deal in October, lenders walked out holding their noses. By year-end most corporate raiders and LBO firms were lying low, unable to raise the financing they needed to complete big buyouts. Says Stephen Schwarzman, president of the Blackstone Group: "When we look back on 1989, it will be the year the LBO party ended."

Two guiding principles led the way toward mega-marriages: bigness and synergy.

For bigness consider the drug mergers. Bristol-Myers paid a hefty $12.7 billion to hitch with Squibb, and London's Beecham Group merged with SmithKline Beckman in a deal valued at $8.3 billion. By consolidating their costly research and development spending, combining their manufacturing, and merging their sales forces, these drug companies expect to increase revenues and reduce costs, which will help them beat competitors worldwide.

Time Inc. (owner of FORTUNE's publisher) courted Warner Communications, recognizing that their publishing, broadcasting, and entertainment businesses fit together like spoons. The two waltzed toward wedlock until Martin Davis, chief of Paramount Communications, cut in with a bid—for Time—of his own. Time responded by switching from a merger plan to an outright acquisition of Warner. The Delaware courts upheld Time's argument that the acquisition was in the company's strategic best interests, a decision hailed as a lift for corporate managers and a blow to raiders. The first part of the deal, in which Time bought just over half the stock for cash and gained control of Warner last year, is fourth on our list. The second part, which involves an exchange of the remaining Warner shares for new Time Warner securities, is valued at $7 billion and was scheduled to be completed on January 10.

Paramount, meanwhile, added to its war chest by selling its finance subsidiary, Associates First Capital. Ford Motor bought the business for $3.35 billion (No. 13). Sony liked what it saw in Columbia Pictures Entertainment and spent $3.4 billion to buy Coca-Cola's shares and those of other lucky stakeholders in the most expensive Japanese acquisition in the U.S. to date (No. 12).

Dealmakers took home a record $1.3 billion in fees. The RJR deal alone generated $203 million for the LBO's seven advisers. Some dealmakers were lucky enough to grab a double scoop of profits. Allen & Co. collected $30 million for advising Columbia Pictures on its acquisition by Sony. The firm also owned 3% of Columbia Pictures stock, which rose 28% as word of the takeover spread.

What will it take to bring the LBO firms and the raiders back in force? Answer: the unlikely confluence of a strong economy, lower interest rates, and a sharply lower stock market—which would make it easier to buy control of a company. "The LBO market will come back, but it is hard to see it coming back in 1990 to the level it had in 1988 or early 1989," says Morgan Stanley merger chief Eric Gleacher.

WITH FEWER RAIDERS lurking in Wall Street alleyways, U.S. corporations have a unique opportunity to make more smart deals. Since more acquirers are likely to be public companies, there will be higher interest in deals that keep acquisition-related goodwill charges from depressing earnings. One way is through a pooling-of-interests merger. Stock of the seller is swapped for that of the buyer. Or a fresh issue is created for newly merged operations, much as was done in the Marion Labs–Merrell Dow Pharmaceuticals deal (No. 10). Look, also, for more cross-border and transatlantic deals as Europe approaches 1992. To the degree they reflect such clever corporate strategies and deploy more investment-grade debt, the 1990s' newlywed deals will survive as happy, lasting marriages.

REPORTER ASSOCIATE *Laurie Kretchmar*

ILLUSTRATIONS BY PETER SPACEK

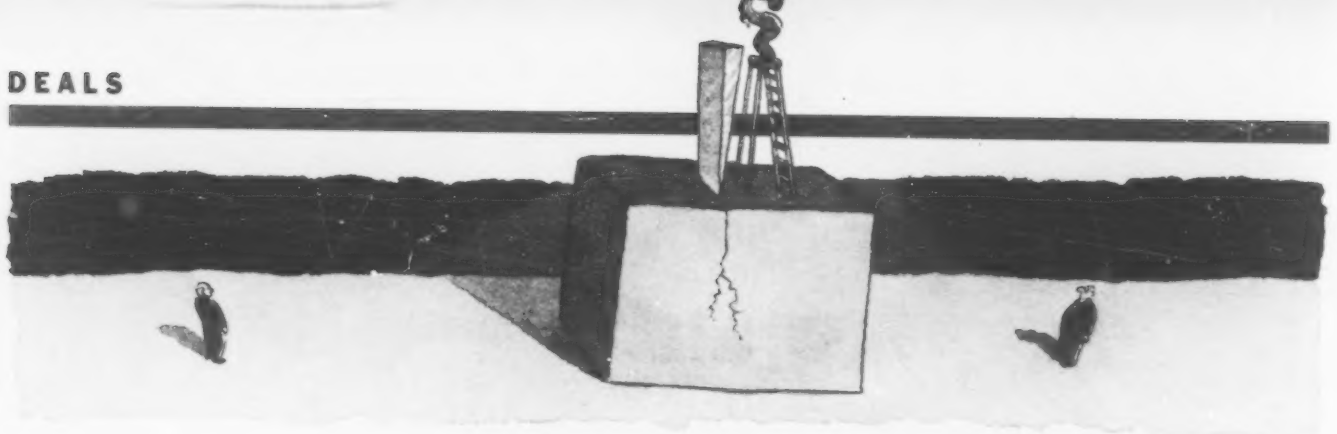
RANK	VALUE (000) % of book value	TRANSACTION	FINANCIAL INTERMEDIARIES (Client)	FEE (000)	FEE as % of deal
1 **RJR HOLDINGS[1] acquires RJR NABISCO (tobacco, food, beverages)**	**$25,071,000** 440%	**Leveraged buyout for cash, preferred stock, and convertible debentures, April 28**	KOHLBERG KRAVIS ROBERTS	**$75,000**	.30%
			DREXEL BURNHAM LAMBERT	**$25,000**	.10%
			MERRILL LYNCH	**$25,000**	.10%
			MORGAN STANLEY	**$25,000**	.10%
			WASSERSTEIN PERELLA (RJR Holdings)	**$25,000**	.10%
			DILLON READ	**$14,000**	.06%
			LAZARD FRÈRES (RJR Nabisco)	**$14,000**	.06%
2 **BRISTOL-MYERS (pharmaceuticals) acquires SQUIBB (pharmaceuticals) and changes name to BRISTOL-MYERS SQUIBB**	**$12,656,271** 852%	**Acquisition for stock, October 4**	GOLDMAN SACHS	**$25,000**	.20%
			SHEARSON LEHMAN HUTTON (Bristol-Myers)	**$3,500**	.03%
			MORGAN STANLEY (Squibb)	**$23,900**	.19%
3 **BEECHAM GROUP and SMITHKLINE BECKMAN (pharmaceuticals companies) merge to form SMITHKLINE BEECHAM**	**$8,253,000** 519%	**Merger by exchange of stock, July 26**	KLEINWORT BENSON	**N.A.**	—
			WASSERSTEIN PERELLA (Beecham Group)	**N.A.**	—
			GOLDMAN SACHS	**$15,000**	.18%
			J.P. MORGAN (SmithKline Beckman)	**$15,000**	.18%
4 **TIME (broadcasting, publishing) acquires 50.6% of WARNER COMMUNICATIONS (entertainment, broadcasting, publishing)**	**$7,000,000** 656%	**Cash tender offer July 24 as part of a $14 billion acquisition due to close January 1990**	MERRILL LYNCH	**$1,500**	.01%
			SHEARSON LEHMAN HUTTON	**$16,000**	.11%
			WASSERSTEIN PERELLA (Time)	**$16,000**	.11%
			ALPINE CAPITAL GROUP	**$6,000**	.04%
			GOLDMAN SACHS	**$1,000**	.007%
			LAZARD FRÈRES	**$20,000**	.14%
			MERRILL LYNCH (Warner Communications)	**$1,000**	.007%
5 **GRAND METROPOLITAN (British beverage and food company) acquires PILLSBURY (restaurants, food)**	**$5,757,917** 430%	**Acquisition for cash, January 9**	MORGAN STANLEY	**$14,200**	.25%
			S.G. WARBURG (Grand Metropolitan)	**$7,100**	.12%
			DREXEL BURNHAM LAMBERT	**$10,000**	.17%
			FIRST BOSTON	**$10,000**	.17%
			KLEINWORT BENSON	**$1,000**	.02%
			SHEARSON LEHMAN HUTTON	**$10,000**	.17%
			WASSERSTEIN PERELLA (Pillsbury)	**$10,000**	.17%
6 **IMPERIAL OIL (70% owned by EXXON) acquires TEXACO CANADA (78% owned by TEXACO)**	**$4,149,595** 250%	**Acquisition for cash and stock, February 28**	FIRST BOSTON	**$100**	.002%
			GORDON CAPITAL (Imperial Oil)	**$6,672**	.16%
			MORGAN STANLEY	**N.A.**	—
			SCOTIA MCLEOD	**N.A.**	—
			WASSERSTEIN PERELLA (Texaco)	**N.A.**	—
7 **TENNESSEE VALLEY AUTHORITY (federal corporation) sells bonds**	**$3,929,790**	**Offering of bonds as part of a refinancing plan, October 17**	FIRST BOSTON* GOLDMAN SACHS MERRILL LYNCH MORGAN STANLEY SALOMON BROTHERS	**$24,000**	.61%

Mergers and acquisitions

Securities offerings

N.A. Not available.
* Lead manager.
[1] Group led by Kohlberg Kravis Roberts.

THIS LIST WAS COMPILED BY REPORTER ASSOCIATE KATHLEEN CARROLL SMYTH.



RANK		VALUE (000) % of book value	TRANSACTION	FINANCIAL INTERMEDIARIES (Client)	FEE (000)	FEE as % of deal
8	**HCA-HOSPITAL CORP. OF AMERICA[2] acquires HOSPITAL CORP. OF AMERICA**	**$3,905,000** 241%	**Leveraged buyout for cash, stock, and debentures, March 16**	MORGAN GUARANTY TRUST (HCA-Hospital Corp. of America)	**$50,000**	1.28%
				MORGAN STANLEY (Hospital Corp. of America)	**$8,000**	.20%
9	**TENNESSEE VALLEY AUTHORITY (federal corporation) sells bonds**	**$3,889,250**	**Offering of bonds to complete refinancing plan, November 17**	MORGAN STANLEY* FIRST BOSTON GOLDMAN SACHS MERRILL LYNCH SALOMON BROTHERS SHEARSON LEHMAN HUTTON	**$24,250**	.62%
10	**DOW CHEMICAL acquires 67% of MARION LABORATORIES (pharmaceuticals)**	**$3,800,000** 996%	**Cash tender and merger of Marion Laboratories and Merrell Dow Pharmaceuticals to form Marion Merrell Dow, December 2**	MORGAN STANLEY (Dow Chemical))	**$16,000**	.42%
				SHEARSON LEHMAN HUTTON (Marion Laboratories)	**$17,000**	.45%
11	**WINGS HOLDINGS[3] acquires NWA (airlines)**	**$3,650,000** 222%	**Leveraged buyout for cash, August 4**	BANKERS TRUST	**$10,000**	.27%
				SMITH BARNEY HARRIS UPHAM	**N.A.**	—
				WASSERSTEIN PERELLA (Wings Holdings)	**$10,000**	.27%
				FIRST BOSTON (NWA)	**$14,140**	.39%
12	**SONY (electronic equipment) acquires COLUMBIA PICTURES ENTERTAINMENT (movies, TV production and distribution)**	**$3,400,000** 320%	**Acquisition for cash, November 6**	BLACKSTONE GROUP (Sony)	**$9,900**	.29%
				ALLEN & CO. (Columbia Pictures Entertainment)	**$30,000**	.88%
13	**FORD MOTOR acquires ASSOCIATES FIRST CAPITAL (finance company) from PARAMOUNT COMMUNICATIONS (entertainment)**	**$3,350,000** N.A.	**Acquisition for cash, October 31**	GOLDMAN SACHS	**N.A.**	—
				SHEARSON LEHMAN HUTTON (Ford Motor)	**N.A.**	—
				LAZARD FRÈRES	**N.A.**	—
				MORGAN STANLEY (Paramount Communications)	**N.A.**	—
14	**PANHANDLE EASTERN (gas, oil) acquires TEXAS EASTERN (gas, oil)**	**$3,223,799** 199%	**Acquisition for cash and stock, June 28**	KIDDER PEABODY (Panhandle Eastern)	**$14,500**	.45%
				DILLON READ	**$1,750**	.05%
				FIRST BOSTON	**$12,900**	.40%
				JAMES CAPEL	**$1,250**	.04%
				WASSERSTEIN PERELLA (Texas Eastern)	**$7,500**	.23%
15	**RJR HOLDINGS CAPITAL sells debentures**	**$3,000,470**	**Offering of $1 billion 15% payment-in-kind subordinated debentures due 2001, $2 billion discount subordinated debentures due 2001 (with warrants), to finance leveraged buyout, May 12**	DREXEL BURNHAM LAMBERT	**$114,600**	3.82%
16	**BLACK & DECKER (power tools, household appliances) acquires EMHART (industrial, consumer products)**	**$2,670,000** 275%	**Acquisition for cash, July 18**	SALOMON BROTHERS (Black & Decker)	**$5,000**	.19%
				SHEARSON LEHMAN HUTTON	**$5,000**	.19%
				WASSERSTEIN PERELLA (Emhart)	**$9,000**	.34%
17	**BSN (French food and beverage company) acquires RJR NABISCO's five European food businesses from RJR HOLDINGS (Kohlberg Kravis Roberts)**	**$2,500,000** N.A.	**Acquisition for cash, June 6**	LAZARD FRÈRES (BSN)	**N.A.**	—
				MORGAN STANLEY	**N.A.**	—
				SAMUEL MONTAGUE (RJR Holdings)	**N.A.**	—

N.A. Not available.
* Lead manager.
[2] Group formed by Hospital Corp. of America management, Morgan Capital, and other investors.
[3] Group formed by Alfred Checchi and other investors.

Mergers and acquisitions

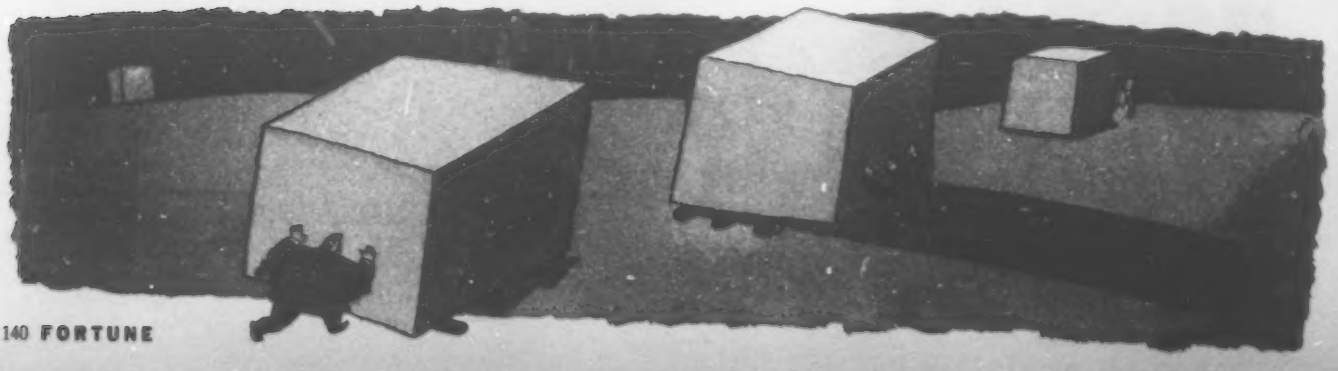
Securities offerings

RANK		VALUE (000) % of book value	TRANSACTION	FINANCIAL INTERMEDIARIES (Client)	FEE (000)	FEE as % of deal
18	**STONE CONTAINER** (paperboard, packaging) acquires **CONSOLIDATED-BATHURST** (newsprint, pulp, packaging)	$2,173,500 249%	Acquisition for cash, April 13	BURNS FRY	$525	.02%
				FIRST BOSTON	$8,500	.39%
				LEVESQUE BEAUBIEN	$525	.02%
				SCOTIA MCLEOD (Stone Container)	$525	.02%
				NOT PUBLICLY DISCLOSED (Consolidated-Bathurst)	–	–
19	**TEXACO** pays special dividend	$2,120,000 26%	Dividend paid in two stages: $4 in cash and $3 in cash, $1 in preferred stock, to shareholders as part of a $7 billion restructuring, September 18	MORGAN STANLEY	N.A.	–
20	**FORD MOTOR** acquires 77% of **JAGUAR** (automobiles), raising its ownership to 90%	$2,000,933 541%	Cash tender offer December 29 as part of a $2.5 billion acquisition due to close in 1990	GOLDMAN SACHS	$6,445	.26%
				S.G. WARBURG (Ford Motor)	$6,445	.26%
				J.O. HAMBRO MAGAN	N.A.	–
				MORGAN GRENFELL (Jaguar)	N.A.	–
21	**PACIFICORP** (electric utility) acquires **UTAH POWER & LIGHT** (electric utility)	$1,911,574 172%	Acquisition for stock, January 9	FIRST BOSTON (PacifiCorp)	$2,000	.10%
				KIDDER PEABODY (Utah Power & Light)	$10,500	.55%
22	**PEPSICO** acquires soft-drink bottling business from **GENERAL CINEMA** (theaters)	$1,750,000 N.A.	Acquisition for cash, March 23	NONE EMPLOYED (PepsiCo)	–	–
				FIRST BOSTON (General Cinema)	$5,500	.31%
23	**IMA HOLDINGS**[4] acquires 86% of **AMERICAN MEDICAL INTERNATIONAL** (hospitals, services)	$1,669,500 263%	Cash tender offer October 26 as part of a $1.9 billion leveraged buyout due to close in 1990	FIRST BOSTON	$20,000	1.05%
				GKH PARTNERS (IMA Holdings)	$10,000	.53%
				GOLDMAN SACHS (American Medical International)	$15,900	.84%
24	**UNILEVER** (consumer products, packaged goods) acquires **FABERGÉ**'s personal care business from **RIKLIS FAMILY GROUP**	$1,550,000 N.A.	Acquisition for cash, August 4	NONE EMPLOYED (Unilever)	–	–
				PAINE WEBBER (Riklis Family Group)	N.A.	–
25	**ABB ASEA BROWN BOVERI** (electrical engineering services) acquires 96.7% of **COMBUSTION ENGINEERING** (power plants, equipment)	$1,515,095 247%	Cash tender offer December 14 as part of a $1.6 billion acquisition due to close in 1990	FIRST BOSTON (ABB ASEA Brown Boveri)	$2,500	.16%
				MORGAN STANLEY (Combustion Engineering)	$6,700	.42%
26	**NEWCO HOLDINGS**[5] acquires **GAF** (specialty chemicals, building materials)	$1,474,964 248%	Leveraged buyout for cash and debentures, March 29	DREXEL BURNHAM LAMBERT	$2,500	.17%
				MERRILL LYNCH (Newco Holdings)	$2,500	.17%
				FIRST BOSTON	$250	.02%
				SALOMON BROTHERS (GAF)	$2,250	.15%

N.A. Not available.
[4] Group formed by Harry Gray, Mel Klein & Partners, and First Boston.
[5] Group led by GAF's chairman, Samuel Heyman.

Mergers and acquisitions

Securities offerings



RANK		VALUE (000) % of book value	TRANSACTION	FINANCIAL INTERMEDIARIES (Client)	FEE (000)	FEE as % of deal
27	**FARLEY** (industrial equipment) acquires 85.3% of **WEST POINT-PEPPERELL** (textiles, apparel), raising its ownership to 95%	$1,460,459 238%	Cash tender offer April 5 as part of a $1.8 billion acquisition due to close in 1990	DREXEL BURNHAM LAMBERT (Farley)	$10,000	.56%
				GOLDMAN SACHS MERRILL LYNCH (West Point–Pepperell)	$13,728 $14,328	.76% .80%
28	**PROCTER & GAMBLE** (household products) acquires **NOXELL** (cosmetics, toiletries, household products)	$1,426,572 521%	Acquisition for stock, November 30	GOLDMAN SACHS (Procter & Gamble)	N.A.	–
				AI EX. BROWN & SONS (Noxell)	$4,000	.28%
29	**FORD MOTOR** acquires credit operations from **MERITOR FINANCIAL GROUP**	$1,400,000 N.A.	Acquisition for cash, March 21	NONE EMPLOYED (Ford Motor)	–	–
				FIRST BOSTON (Meritor Financial Group)	$3,008	.21%
30	**BRITISH TELECOMMUNICATIONS** acquires 20% of **McCAW CELLULAR COMMUNICATIONS** (cellular telephones)	$1,370,000 N.A.	Acquisition for cash, June 20	DONALDSON LUFKIN & JENRETTE S.G. WARBURG (British Telecommunications)	N.A. N.A.	– –
				MORGAN GUARANTY TRUST (McCaw Cellular Communications)	N.A.	–
31	**HOUSTON INDUSTRIES** (electric utility holding company) acquires U.S. cable systems from **ROGERS COMMUNICATIONS** (CATV)	$1,365,000 N.A.	Acquisition for cash, March 14	NONE EMPLOYED (Houston Industries)	–	–
				MORGAN STANLEY (Rogers Communications)	N.A.	–
32	**PEPSICO** acquires British snack food companies (**WALKERS CRISPS & SMITHS CRISPS**) from **BSN** (French food and beverage company)	$1,350,000 N.A.	Acquisition for cash, July 3	BLACKSTONE GROUP (PepsiCo)	N.A.	–
				LAZARD FRÈRES (BSN)	N.A.	–
33	**TW HOLDINGS**[a] acquires 81% of **TW SERVICES** (vending machines, food)	$1,349,694 314%	Leveraged buyout for cash and stock, December 6	GOLLUST TIERNEY & OLIVER DONALDSON LUFKIN & JENRETTE (TW Holdings)	$13,600 $13,600	1.01% 1.01%
				FIRST BOSTON MERRILL LYNCH (TW Services)	$5,223 $5,250	.39% .39%
34	**TYSON FOODS** (poultry) acquires **HOLLY FARMS** (poultry, flour milling)	$1,287,874 302%	Acquisition for cash, August 10	STEPHENS (Tyson Foods)	$3,000	.23%
				MORGAN STANLEY (Holly Farms)	$5,125	.40%
35	**DAI-ICHI KANGYO BANK** acquires 60% interest in the **CIT GROUP** (finance company) from **MANUFACTURERS HANOVER** (banking)	$1,280,000 N.A.	Acquisition for cash, December 29	NOT PUBLICLY DISCLOSED (Dai-Ichi Kangyo Bank)	–	–
				GOLDMAN SACHS (Manufacturers Hanover)	N.A.	–
36	**KROGER** (supermarkets, drug stores) sells debentures	$1,250,000	Offering of debentures as part of a restructuring program, January 19	GOLDMAN SACHS	$43,750	3.50%
37	**QUANTUM CHEMICAL** (plastics, propane marketing) pays special dividend	$1,225,000	Dividend of $50 a share to stockholders as part of a $1.7 billion leveraged recapitalization, January 10	DILLON READ FIRST BOSTON	$5,374 $5,374	.44% .44%

N.A. Not available.

[a] Group formed by the investment partnership of Gollust Tierney & Oliver and Donaldson Lufkin & Jenrette.

Mergers and acquisitions

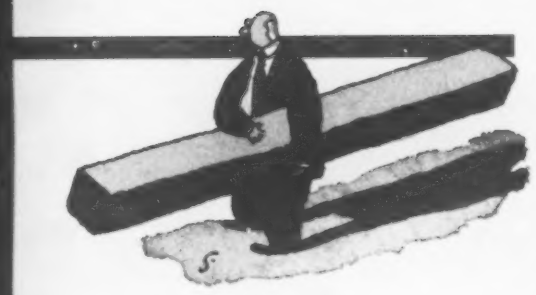
Securities offerings

RANK	VALUE (000) % of book value	TRANSACTION	FINANCIAL INTERMEDIARIES (Client)	FEE (000)	FEE as % of deal
38 **GENERAL ELECTRIC CAPITAL (finance company) sells notes**	**$1,200,000**	**Offering of $1.2 billion 10.15% notes due 1990, March 16**	KIDDER PEABODY*	**$1,500**	.13%
			FIRST BOSTON		
			GOLDMAN SACHS		
			MERRILL LYNCH		
			MORGAN STANLEY		
			SALOMON BROTHERS		
			SHEARSON LEHMAN HUTTON		
39 **ANHEUSER-BUSCH (brewing, baked goods) acquires six theme parks and land holdings from HARCOURT BRACE JOVANOVICH (publishing)**	**$1,100,000** N.A.	**Acquisition for cash, November 30**	DILLON READ (Anheuser-Busch)	**N.A.**	–
			FIRST BOSTON (Harcourt Brace Jovanovich)	**N.A.**	–
40 **LONG ISLAND LIGHTING (utility) sells debentures**	**$1,094,790**	**Offering of debentures for refunding senior securities and reimbursing the company for expenditures, June 29**	SHEARSON LEHMAN HUTTON*	**$9,500**	.87%
			BEAR STEARNS		
			DILLON READ		
			FIRST BOSTON		
			PAINE WEBBER		
41 **SOCIÉTÉ NATIONALE ELF AQUITAINE (oil, gas exploration and production) acquires PENNWALT (chemicals)**	**$1,061,544** 402%	**Acquisition for cash, October 11**	MORGAN STANLEY (Société Nationale Elf Aquitaine)	**$4,500**	.42%
			GOLDMAN SACHS (Pennwalt)	**$7,875**	.74%
42 **UNITED ARTISTS COMMUNICATIONS (movie theaters, cable TV) and UNITED CABLE TELEVISION (cable systems) merge to form UNITED ARTISTS ENTERTAINMENT**	**$1,047,624** 1,383%	**Merger by exchange of stock and cash for shares not previously owned by Tele-Communications, which controls both companies, May 25**	BEAR STEARNS	**$625**	.04%
			DANIEL & ASSOCIATES (United Artists Communications)	**$625**	.04%
			DREXEL BURNHAM LAMBERT	**$3,375**	.19%
			PRUDENTIAL-BACHE (United Cable Television)	**$725**	.04%
43 **GGVA HOLDING[7] acquires OHIO MATTRESS (bedding)**	**$980,000** 374%	**Leveraged buyout for cash and warrants, August 9**	GIBBONS GREEN VAN AMERONGEN	**$13,800**	1.41%
			FIRST BOSTON (GGVA Holding)	**$4,000**	.41%
			LAZARD FRÈRES (Ohio Mattress)	**$9,410**	.96%
44 **MAYTAG acquires CHICAGO PACIFIC (home appliances)**	**$962,439** 211%	**Acquisition for cash and stock, January 26**	SALOMON BROTHERS (Maytag)	**$5,200**	.54%
			GOLDMAN SACHS (Chicago Pacific)	**$7,700**	.80%
45 **LYONDELL PETROCHEMICAL sells common stock**	**$960,000** 706%	**Initial public offering for 32 million shares, January 18**	GOLDMAN SACHS*	**$54,400**	5.67%
			SALOMON BROTHERS		
46 **CHICAGO & NORTH WESTERN HOLDINGS[8] acquires CNW (railroads)**	**$952,000** 186%	**Leveraged buyout for cash and stock, October 27**	BLACKSTONE GROUP	**$17,168**	1.80%
			DONALDSON LUFKIN & JENRETTE	**$8,832**	.93%
			FIRST BOSTON (Chicago & North Western Holdings)	**$1,722**	.18%
			GOLDMAN SACHS	**$5,800**	.61%
			SALOMON BROTHERS (CNW)	**$5,800**	.61%
47 **AMERICAN HOME PRODUCTS (pharmaceuticals, food) acquires A.H. ROBINS (pharmaceuticals)**	**$900,000** N.A.	**Acquisition for stock, as part of a $3.2 billion deal. Remainder went to pay victims of Robins's Dalkon Shield, December 15.**	MORGAN STANLEY (American Home Products)	**N.A.**	–
			DREXEL BURNHAM LAMBERT	**N.A.**	–
			FIRST BOSTON (A.H. Robins)	**N.A.**	–
47 **MFS CHARTER INCOME TRUST (closed-end investment company) sells common stock**	**$900,000**	**Initial public offering of 75 million shares, July 20**	KIDDER PEABODY*	**$63,000**	7.00%
			SMITH BARNEY HARRIS UPHAM		
			WHEAT FIRST BUTCHER & SINGER		
			THOMSON MCKINNON SECURITIES		
49 **POLLY PECK INTERNATIONAL (electronics, agriculture) acquires RJR NABISCO's DEL MONTE tropical fruit business from RJR HOLDINGS (Kohlberg Kravis Roberts)**	**$875,000** N.A.	**Acquisition for cash, December 5**	FIRST BOSTON (Polly Peck)	**$5,000**	.57%
			GOLDMAN SACHS (RJR Holdings)	**N.A.**	–
50 **AMERADA HESS (oil exploration) acquires oil and gas assets from TRANSCO ENERGY (natural gas pipelines)**	**$866,000** N.A.	**Acquisition for cash, August 31**	NOT PUBLICLY DISCLOSED (Amerada Hess)	–	–
			LAZARD FRÈRES	**N.A.**	–
			MERRILL LYNCH (Transco Energy)	**N.A.**	–

N.A. Not available.
* Lead manager.
[7] Group led by Gibbons Green van Amerongen.
[8] Group formed by Blackstone Capital Partners, Donaldson Lufkin & Jenrette, Union Pacific, and CNW management.

Mergers and acquisitions

Securities offerings



EXPLANATORY NOTES

Deals eligible for the list include:

1. U.S. public offerings of securities (except short-term securities) by domestic and foreign corporations, issued under a single prospectus or offering circular.
2. Cash tender offers by domestic corporations or by foreign corporations tendering in the U.S., including those of companies buying in their own securities.
3. Mergers or acquisitions in which the buyer or seller is a U.S. company or part of one. To be eligible, offerings must be effective in 1989 and tender offers must have expired during the year. Mergers and acquisitions are eligible if legally closed during the year or, when not legally closed, if the prospective buyer has paid a portion of the purchase price in cash during the year.

The list excludes short-term financings, government securities, routine debt offerings by financial companies, repackagings of mortgage and other debt, and financings other than public offerings—such as bank borrowings and private placements.

VALUE OF DEAL

Debt assumed in acquisitions is not included in the price. Amounts for cash offerings are the total amounts raised; for tenders the total amount paid. All securities issued in acquisitions or mergers are valued at the market price on the date of closing. When two companies merge through an exchange of stock to form a new company, the company whose stockholders received the larger share of the new company is treated as the buyer, and only those shares issued to stockholders of the small company are valued.

PERCENT OF BOOK VALUE

Book value calculations indicate the price paid (or amount of equity capital raised) per share as a percentage of the shareholders' equity per share of the acquired company or issuer at the end of the last quarter preceding the transaction.

TRANSACTION

Dates under this heading are effective dates for offerings, expiration dates for tenders, and closing dates for acquisitions and mergers.

FINANCIAL INTERMEDIARIES

For underwritten public offerings, the co-managers are listed and the lead manager is indicated by an asterisk. In the case of acquisitions and mergers, the intermediaries are typically investment banking firms that assisted in the transaction.

FEE

The figures represent the amounts charged by the financial intermediaries assisting the deals. In underwritings, part of the fee is paid to other members of the underwriting syndicate or to dealers other than the co-managers. In mergers and acquisitions, fees paid for financing services are excluded, when possible. F

If you like our charcoal mellowed whiskey we hope you'll write us and say so. We promise to write back.

AT JACK DANIEL'S DISTILLERY, men take pride in a whiskey-making tradition that calls for moving slowly.

Every drop of Jack Daniel's is seeped through room-high mellowing vats prior to aging. It's an old Tennessee process that simply can't be hurried. Then, we wait while our whiskey gains more smoothness in charred oak barrels. Admittedly, there are times when it looks like we're hardly working. But after your first sip, we think you'll appreciate our laid back ways.

SMOOTH SIPPIN'
TENNESSEE WHISKEY

Tennessee Whiskey • 40-43% alcohol by volume (80-86 proof) • Distilled and Bottled by Jack Daniel Distillery, Lem Motlow, Proprietor, Route 1, Lynchburg (Pop 361), Tennessee 37352